



Auditor of Public Accounts
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Harmon Releases Audit of Jackson County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2017 taxes for Jackson County Sheriff Paul Hays. State law requires the auditor to annually audit the accounts of each county sheriff. In compliance with this law, the auditor issues two sheriff's reports each year: one reporting on the audit of the sheriff's tax account, and the other reporting on the audit of the fee account used to operate the office.

Auditing standards require the auditor's letter to communicate whether the sheriff's settlement presents fairly the taxes charged, credited and paid in accordance with accounting principles generally accepted in the United States of America. The sheriff's settlement is prepared on the regulatory basis, which is described in the auditor's opinion letter. Regulatory basis reporting for the sheriff's settlement is an acceptable reporting methodology, and this reporting methodology is followed for all 120 sheriff settlements in Kentucky.

The sheriff's financial statement fairly presents the taxes charged, credited and paid for the period April 18, 2017 through April 16, 2018 in conformity with the regulatory basis of accounting.

As part of the audit process, the auditor must comment on noncompliance with laws, regulations, contracts, and grants. The auditor must also comment on material weaknesses involving the internal control over financial operations and reporting.

The audit contains the following comment:

The Jackson County Sheriff's Office lacks adequate segregation of duties over receipts and disbursements: This is a repeat finding and was reported in the prior year audit report as Finding 2016-001. The sheriff's bookkeeper collects payments from customers and prepares daily collection reports, deposits, and monthly tax reports. Upon completion of the monthly reports, the bookkeeper prepares and signs the checks and performs the monthly bank reconciliations. In addition, the bookkeeper also has administrative rights to the tax program used to collect taxes. In

response to the lack of segregation of duties, the sheriff has implemented some compensating controls; however, the controls are not sufficient to mitigate the lack of segregation of duties.

According to the sheriff this condition is the result of a limited budget, which restricts the number of employees the sheriff can hire or delegate duties to. When faced with limited number of staff, strong compensating controls should be in place to mitigate the lack of segregation of duties.

The lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department of Revenue and other taxing districts.

Proper segregation of duties over collecting taxes, preparing daily tax collection journals, preparing monthly reports, preparing and making deposits, and preparing disbursements is essential protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the course of performing their daily responsibilities.

The sheriff should separate the duties involved in receiving cash, preparing deposits, writing disbursement checks, posting to ledgers, and preparing monthly bank reconciliations. If this is not feasible due to lack of staff, then strong oversight over those areas should occur and involve an employee not currently performing any of those functions. The sheriff could further assign the tax program administrative rights to an employee other than the bookkeeper. Additionally, the sheriff could also provide this oversight. The individual providing the oversight should initial the source document as evidence of the review.

Sheriff's Response: The Sheriff did not provide a response.

The sheriff's responsibilities include collecting property taxes, providing law enforcement and performing services for the county fiscal court and courts of justice. The sheriff's office is funded through statutory commissions and fees collected in conjunction with these duties.

The audit report can be found on the [auditor's website](#).

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