



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2016 taxes for Johnson County Sheriff Dwayne Price. 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 16, 2016 through April 17, 2017 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 internal control over financial operations and reporting.

The audit contains the following comment:

The sheriff's office lacks adequate segregation of duties: This is a repeat finding and was included in the prior year audit report as Finding 2015-001. While reviewing the sheriff's internal control procedures, we identified a lack of adequate segregation of duties over receipts and disbursements. These control deficiencies are present because one employee's duties include recording taxes paid, preparing monthly tax reports, preparing monthly tax disbursements, and co-

signing monthly tax disbursements. A lack of segregated duties increases the risk of undetected misappropriation of assets either by error or fraud.

In order to achieve a proper segregation of duties, related activities should be assigned to different individuals. According to the sheriff, budget restrictions limit the number of staff the sheriff can hire and it may not be feasible to segregate accounting duties to different individuals. In this situation, the sheriff should implement compensating controls to mitigate the effects of the lack of adequate segregation of duties. A proper segregation of duties also protects employees in the normal course of performing their daily responsibilities. We recommend the following compensating controls be implemented to offset this significant deficiency:

- The sheriff should frequently compare daily bank deposits to the daily tax reports. The sheriff should investigate any variances. This review should be documented with the sheriff's initials on the daily checkout sheet.
- The sheriff should review the monthly tax reports and compare them to the checks written to the taxing districts. This should be documented with the sheriff's initials on the monthly reports.
- The sheriff should review the monthly bank reconciliation. The sheriff should compare the amounts deposited on the bank statement to the receipts ledger. This should be documented with the sheriff's initials on the bank reconciliation.

Sheriff's Response: We do not generate enough funds to hire proper staffing to segregate all duties. We will try to segregate the duties with the staff we have and sheriff will look over deposits and daily check out sheets for approval.

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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