



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2015 taxes for Laurel County Sheriff John Root. 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, 2015 through April 15, 2016 in conformity with the regulatory basis of accounting.

As part of the audit process, the auditor must comment on non-compliance 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 sheriff's office lacks adequate segregation of duties over receipts. This control deficiency is present because one employee is responsible for verifying individual checkout sheets, preparing an office-wide checkout sheet, preparing the daily deposit, and preparing the monthly tax reports. No documented oversight of these processes occurs. To adequately protect against misappropriation of assets and inaccurate financial reporting, the sheriff should separate

the duties involving preparing cash deposits, preparing daily checkout sheets, and preparing monthly tax reports. If this is not feasible due to a limited budget, cross checking procedures could be implemented and documented by the individual performing the procedure. A lack of oversight could result in the undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the taxing districts.

The segregation of duties over various accounting functions such as preparing cash deposits, preparing daily checkout sheets, preparing monthly tax reports, or the implementation of compensating controls is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the sheriff separate the duties related to receipt processing, or implement effective compensating controls, to offset the effects of this weakness. If the sheriff chooses to implement compensating controls, he should document his oversight on the appropriate source document.

Sheriff's response: No 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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