



Auditor of Public Accounts
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Harmon Releases Audit of Letcher County Sheriff's Unmined Coal Tax Settlement

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2018 unmined coal taxes for Letcher County Sheriff Mickey Stines. 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 January 7, 2019 through August 15, 2019 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 Letcher County Sheriff's Office does not have adequate segregation of duties: The sheriff's bookkeeper collects payments from customers, prepares receipts, prepares deposits, posts receipts to the receipts ledger, and reconciles the bank statements. The bookkeeper also prepares disbursement checks and monthly tax reports. There is not sufficient evidence available that would

show that the sheriff or another employee periodically reviews deposits, ledgers, monthly reports, or the bank reconciliations to offset the risk caused by the lack of segregation of duties.

According to the sheriff's office, this condition is a result of a limited budget, which restricted the number of employees the former sheriff could hire or delegate duties to. A lack of oversight could have resulted in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as Department of Revenue. The segregation of duties over various accounting functions such as preparing deposits, recording receipts and disbursements, and preparing monthly 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, to adequately protect employees in the normal course of performing their duties, and prevent inaccurate financial reporting or misappropriation of assets, the sheriff should segregate duties for collecting payments, preparing deposits, posting receipts to receipts ledger, preparing disbursement checks and monthly tax reports, and reconciling the bank statements. If it is not possible to segregate these duties due to budget limitation, the sheriff should implement strong oversight over these areas, either by an employee independent of those functions or by the sheriff.

Sheriff's Response: Due to budget constraints this is not possible to attain for our office.

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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