



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2017 taxes for Lewis County Sheriff Johnny W. Bivens. 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 sheriff's office lacks adequate segregation of duties: This is a repeat finding and was included in the prior year audit report as Finding 2016-001. The sheriff's office lacks adequate segregation of duties. The sheriff's bookkeeper collects and deposits tax receipts, records all transactions, prepares monthly reports, and reconciles the bank account. According to the sheriff, the lack of adequate segregation of duties within the sheriff's office was the result of limited staff size which prevented the sheriff from segregating accounting duties to different individuals within

the sheriff's office. Inadequate segregation of duties allows one person to have a significant role in processing and recording receipts and disbursements which increases the risk of undetected misappropriation of assets and inaccurate financial reporting. Internal control duties should be segregated to decrease the risk of misappropriation of assets, errors, and inaccurate financial reporting to external agencies. Although the sheriff had implemented some compensating controls such as comparing the daily checkout sheet to the receipts ledger and the bank deposit, they did not eliminate the lack of adequate segregation of duties. However, compensating controls decrease the risk present in the absence of proper segregation of duties. If these duties cannot be segregated, the sheriff should perform the following compensating controls to help offset this weakness:

- recount and make the daily deposits,
- agree daily tax collection total to the receipts ledger and deposit slip,
- agree monthly tax reports to receipts ledger and disbursements ledger,
- review the monthly bank reconciliation.

The sheriff should initial these documents as proof of his review.

Sheriff's Response: The lack of adequate segregation of duties with the Sheriff's office is a result of limited staffing which prevents the Sheriff from segregating accounting duties to different individuals within the Sheriff's 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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