



Auditor of Public Accounts  
Mike Harmon

**FOR IMMEDIATE RELEASE**

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### **Harmon Releases Audit of Montgomery County Sheriff's Tax Settlement**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2015 taxes for Montgomery County Sheriff Fred Shortridge. 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 has a lack of segregation of duties.** Employees that collect taxes also prepare the daily checkout sheets and make deposits. Also, the bookkeeper prepares all monthly reports, prepares checks, and reconciles the bank account. This could result in undetected misappropriation of assets and incorrect reporting. Segregation of duties over receipt procedures, disbursement processing, and bank reconciliations is essential for providing

protection from fraud and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the sheriff segregate these duties or implement compensating controls to offset this significant deficiency:

- An independent person should periodically compare the daily bank deposit to the daily checkout sheet, and then compare the daily checkout sheet to the receipts ledger. Any differences should be reconciled. This individual could document this by initialing the bank deposit, daily checkout sheet, and the receipts ledger.
- An independent person should compare the monthly financial report to the receipts and disbursements ledgers for accuracy. Any difference should be reconciled. This individual could document this by initialing the monthly financial reports.
- An independent person should compare the monthly bank reconciliation to the balance in the checkbook. Any differences should be reconciled. This individual could document this by initialing the bank reconciliation and the balance in the checkbook.

*Sheriff's response: Segregation of duties are important and we do separate duties within 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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