



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2016 taxes for Morgan County Sheriff Anthony Gullett. 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 the internal control over financial operations and reporting.

The audit contains the following comment:

The sheriff's office lacks adequate segregation of duties: This was included in the prior year audit report as Finding 2015-001. The responsibilities of recording, depositing, and reconciling cash are delegated to the same individual. The sheriff's bookkeeper collects payments from customers, makes deposits, signs checks, posts to the receipts and disbursements ledgers, and reconciles the bank account.

A lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as Department for Local Government. The segregation of duties over various accounting functions or the implementation of compensating controls is essential for providing protection from asset misappropriation and inaccurate financial reporting.

We recommend the sheriff offset the lack of segregation of duties by implementing compensating controls such as periodically performing surprise cash counts, reviewing the bank reconciliations, and comparing the daily deposits to the daily checkout sheet and the receipts ledger, reconciling any differences. In addition, the sheriff could document that he is verifying check amounts to the invoices to ensure the check is written for the proper amount. Compensating controls should be documented by initialing and dating the source documents such as the bank reconciliations, bank deposits, daily collection reports, receipts and disbursements ledgers, invoices, and payroll records.

Sheriff's Response: We are a small office with a limited number of staff, but feel that all duties are adequately fulfilled. In the future we will try to implement more procedures.

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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