



Auditor of Public Accounts
Mike Harmon

FOR IMMEDIATE RELEASE

Contact: Michael Goins
Michael.Goins@ky.gov
502.564.5841
502.209.2867

Harmon Releases Audit of Former Nelson County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2017 taxes for former Nelson County Sheriff Ed Mattingly. 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 former sheriff's financial statement fairly presents the taxes charged, credited and paid for the period April 18, 2017 through December 31, 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 former Nelson County Sheriff's Office lacked adequate segregation of duties: This is a repeat finding and was included in the prior year audit report as Finding 2016-001. The former sheriff's bookkeeper collected taxes, prepared deposits and daily checkout sheets, posted to the ledgers, prepared monthly reports, signed disbursement checks and performed the bank reconciliations. There was not sufficient evidence available that would show that the former sheriff

or another employee periodically reviewed daily checkout sheets, ledgers, monthly reports or the bank reconciliations to offset the risk caused by the lack of segregation of duties.

The former sheriff did not have enough funds to hire additional personnel to segregate duties. Without segregation of duties, the risk of misstatements in receipts and disbursements significantly increases the risk of undetected errors and theft. Segregation of duties over receipt procedures, disbursement processing, report preparation, 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.

To adequately protect employees in the normal course of performing their duties, and to prevent inaccurate financial reporting or misappropriation of assets, the former sheriff's office should have implemented strong oversight over these areas, either by an employee independent of those functions or by the sheriff, such as:

- The sheriff could have compared the daily bank deposit to the daily checkout sheet and then compared to the bank deposit receipt. This should be documented by initialing the bank deposit, daily checkout sheet and bank deposit receipt.
- The sheriff could have compared the bank reconciliation to the balance on the bank statement. Any differences should be reconciled. The sheriff should have documented this by initialing the bank reconciliation.
- The sheriff could have compared the monthly receipts and disbursements ledger to the monthly tax reports. This should be documented by initialing the receipts and disbursements ledger.

Former Sheriff's Response: The official did not provide a 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](#).

###

The Auditor of Public Accounts ensures that public resources are protected, accurately valued, properly accounted for, and effectively employed to raise the quality of life of Kentuckians.

Call 1-800-KY-ALERT or visit our website to report suspected waste and abuse.

