



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2015 unmined coal taxes for Ohio County Sheriff Tracy Betty. 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, July 1, 2015 through August 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 comments:

The sheriff's office lacks adequate segregation of duties. The bookkeeper is required to perform multiple tasks such as the collection of cash from customers, deposit preparation, bookkeeping, bank reconciliations, and the preparation of checks for disbursements. The lack of segregation of duties in the sheriff's office is due to a limited number of staff and the diversity of

operations. Segregation of duties over these tasks and cross-training deputies, when needed because the number of staff is limited, is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties and cross-training deputies protects employees in the normal course of performing their daily responsibilities. Good internal controls dictate that the collection of receipts, disbursing of cash, purchasing authority, recording of transactions, and back reconciling duties be segregated.

To adequately protect against the misappropriation of assets and inaccurate financial reporting, we recommend the sheriff segregate the duties noted above and cross-train deputies to accommodate the rotation of these functions. Proper segregation of duties includes separating the duties of collecting cash, depositing receipts, posting to receipts and disbursements ledgers, bank reconciliations, and preparing reports. If segregation of these duties is not feasible, the sheriff should designate another person to provide knowledgeable oversight of the employee responsible for the incompatible duties and to document oversight. Knowledgeable oversight would necessitate an understanding of and ability to perform those same duties if the bookkeeper were absent.

Sheriff's response: Additional measures have been implemented to ensure oversight of the tax office including installation of a camera system. The system included cameras over each cash drawer and the safe. Each clerk is responsible for their own drawer, including locking it when unattended. These measures will help security in the office.

The bookkeeper has cross-trained two other clerks in the office to do the daily reconciliation and preparation of deposits to help with the segregation of duties.

Unfortunately, the only method to resolve this issue is to hire additional personnel in the tax office. As this is not financially feasible, every effort is made to ensure controls are in place to limit the risks identified.

The sheriff did not properly account for and distribute add-on fees. The Ohio County Sheriff did not properly account for and distribute \$496 in sheriff's add-on fees. The bookkeeper stated that she forgot to account for and distribute add-on fees for the unmined coal collections. Per KRS 134.119(7), the sheriff is entitled to a 10 percent add-on fee for all delinquent taxes paid by the person paying the tax claim. Failure to account for and distribute add-on fees could lead to failure to meet budgeted revenue or require supplemental revenue from the fiscal court or other sources where fee revenue is available to the sheriff. We recommend the sheriff comply with KRS 134.119(7) and pay add-on fees collected to the sheriff's fee account.

Sheriff's response: The bookkeeper did not realize the add-on fees were not included in the totals on the report. This has been corrected and all add-on fees will be distributed on a monthly basis.

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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