



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2018 taxes for Russell County Sheriff Derek Polston. 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 December 1, 2018 through April 15, 2019 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 Russell County Sheriff's Office lacks adequate segregation of duties over receipts, disbursements, and reconciliations: This is a repeat finding and was included in the prior period audit report as Finding 2017-001. The Russell County Sheriff's Office lacks adequate segregation of duties over receipts, disbursements, and reconciliations. The sheriff's bookkeeper collects tax payments from customers, prepares daily tax collections journals, prepares and delivers deposits to the bank, posts to the receipts and disbursements to the ledgers, as well as, prepares the monthly

tax reports. The bookkeeper also prepares the monthly payments to the taxing districts, signs checks, and performs monthly bank reconciliations. In addition, the sheriff's bookkeeper also has administrative rights to the tax program used to collect taxes.

According to the sheriff, a limited budget places restrictions on the number of employees he can hire. When faced with limited number of staff, strong documented compensating controls should be in place to mitigate the lack of segregation of duties. A lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department of Revenue and other taxing districts.

Proper segregation of duties over collecting taxes, preparing daily tax collection journals, preparing monthly reports, preparing deposits, and preparing disbursements is essential protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the course of performing their daily responsibilities.

We recommend the Russell County Sheriff's Office separate the duties in receiving cash, preparing deposits, posting to ledgers, and preparing monthly bank reconciliations. If this is not feasible due to lack of office staff, then strong documented oversight in those areas should be implemented. This would involve documented review by an employee not currently performing any of those functions. Additionally, the sheriff could assign tax program administrative rights to an employee, other than the bookkeeper.

Sheriff's Response: The sheriff 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](#).

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