



Auditor of Public Accounts
Adam H. Edelen

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Contact: **Stephenie Hoelscher**
stephenie.hoelscher.ky.gov
502.564.5841
513.289.7667

Edelen Releases Audit of Ohio County Sheriff's Unmined Coal Tax Settlement

FRANKFORT, Ky. – State Auditor Adam Edelen today released the audit of the sheriff's settlement – 2012 unmined coal taxes for Ohio County Sheriff David Thompson. 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.

Recent changes in auditing standards require the auditor's letter to communicate whether the sheriff's settlement presents fairly the taxes charged, credited and paid of the Ohio County Sheriff in accordance with generally accepted accounting principles in the United States. 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 audit found that the sheriff's financial statement fairly presents the taxes charged, credited and paid, for the period, August 16, 2012 through August 15, 2013 in conformity with the modified cash 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 lacks adequate segregation of duties. Segregation of duties or implementation of compensating controls, when needed because of the number of staff is limited, is essential for providing protection to employees in the normal course of performing

their duties and can also help prevent inaccurate financial reporting and/or misappropriation of assets.

A lack of segregation of duties exists over tax receipt and disbursement functions of the Sheriff's office because a limited number of employees are available to properly segregate these job duties. The bookkeeper is responsible for the collection of tax receipts, preparation of the daily deposit, and reconciliation of the daily tax collection journal to the deposit. She is also responsible for the preparation of monthly reports and issuance of monthly tax distribution checks to each taxing district.

Because the bookkeeper is involved in both the tax receipt and the disbursement functions and compensating controls were not implemented, the following occurred:

1. No documentation by official of reconciling bank statements to monthly reports.
2. No documentation by official of reconciling daily checkout tax collection reports to deposits.
3. No documentation of official of reconciling monthly tax reports to districts to checks issued.

To adequately protect employees in the normal course of performing their duties and to help prevent inaccurate financial reporting and/or misappropriation of assets, we recommend the Sheriff separate the duties over the receipt and disbursement functions listed above. If this is not possible, due to a limited number of staff, then strong oversight over those areas should occur and involve an employee not currently performing any of those functions. The individual providing this oversight should initial source documents as evidence of this review. The Sheriff could provide additional oversight by personally delivering the tax distribution checks and monthly tax reports to taxing districts. The tax district then agrees check to copy of monthly report. Finally, the Sheriff receives a signed receipt documenting delivery.

Sheriff's response: None.

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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