



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement-2013 unmined coal taxes for former 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.

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 August 16, 2013 through August 18, 2014 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 comment:

The former sheriff's office had a lack of adequate segregation of duties. The former Ohio County Sheriff's Office had a lack of segregation of duties. Due to a limited number of staff and the diversity of operations, the bookkeeper was 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.

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/or inaccurate financial reporting. Additionally, proper segregation of duties and cross-training deputies protects employees in the normal course of performing their daily responsibilities.

To adequately protect against the misappropriation of assets and/or inaccurate financial reporting, the former sheriff should have segregated the duties noted above and cross-trained deputies to accommodate the rotation of these functions. Proper segregation of duties would have included separating the duties of collecting cash, depositing receipts, posting to receipts and disbursements ledgers, bank reconciliations, and preparing reports. If segregation of these duties was not feasible, the former sheriff should have designated another person to provide knowledgeable oversight of the employee responsible for the incompatible duties. Knowledgeable oversight would necessitate an understanding of and ability to perform those same duties if the bookkeeper were absent.

Former sheriff's response: The former sheriff did not respond.

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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