



Auditor of Public Accounts
Mike Harmon

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

Harmon Releases Audit of Casey County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement-2014 taxes for Casey County Sheriff Jerry Coffman. 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, April 16, 2014 through April 15, 2015 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 sheriff's office lacks adequate segregation of duties over receipts. The sheriff's office lacks adequate segregation of duties over receipts. Both office bookkeepers collect payments from customers, prepare daily payment journals, and prepare daily deposits. The bookkeepers performed the majority of the receipt functions with little or no oversight. The daily payment journals were initialed by the bookkeeper who prepared them. There was no evidence of further

review. The sheriff did not provide strong oversight over receipts, thus resulting in the lack of segregation of duties.

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.

A segregation of duties over various accounting functions such as collecting cash, preparing deposits, or the implementation of compensating controls, 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 protects employees in the normal course of performing their daily responsibilities. Due to a lack of sufficient compensating controls, we consider this to be a material weakness.

To adequately protect against misappropriation of assets and inaccurate financial reporting, the sheriff should separate the duties involving collecting and depositing of cash. If that is not feasible due to a limited number of staff, the sheriff can provide strong oversight over these areas and involve an employee not currently performing any of these functions. Additionally, the sheriff could have provided this oversight. All compensating controls should be documented on the appropriate source document.

Sheriff's response: We are working on this.

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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