



Auditor of Public Accounts
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Edelen Releases Audit of Former Harlan County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Adam Edelen today released the audit of the sheriff's settlement – 2014 taxes for former Harlan County Sheriff Marvin Lipfird. 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 former Harlan 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, April 16, 2014 through December 31, 2014 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 former Sheriff's office lacked adequate segregation of duties. The former Sheriff's office lacked adequate segregation of duties over receipts and reconciliations. The former Sheriff's bookkeeper collected payments from customers, prepared deposits, prepared daily collection printouts, and posted to the receipts ledger. In addition, the former Sheriff's bookkeeper prepared monthly tax reports and disbursement checks and performing the monthly

bank reconciliations. The former Sheriff or another individual did not document oversight of any of these activities.

The lack of segregation of duties occurs because the former Sheriff failed to segregate incompatible duties or implement oversight duties when duties cannot be segregated. Lack of segregation of duties increases the risk of misappropriation of assets, errors, and inaccurate financial reporting. Adequate segregation of duties over receipts and reconciliations would prevent the same person from having a significant role in these incompatible functions.

The former Sheriff could have separated duties in collecting taxes, preparing daily deposits, preparing monthly reports, and preparing reconciliations. If these duties could not be segregated due to a limited number of staff or a limited budget, then strong oversight should have been provided over the employee responsible for these duties. The former Sheriff or employee providing the oversight should have documented this oversight.

Former Sheriff's response: No 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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