



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2014 taxes for former LaRue County Sheriff Merle Edlin. 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 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 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 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 lacked adequate segregation of duties over receipts and disbursements. The former Sheriff's office lacked adequate segregation of duties over receipts and disbursements. These control deficiencies were present because the office clerk's duties included accepting tax payments, recording taxes paid, preparing deposits and taking deposits to

the bank. The former Sheriff's duties included reconciling the bank account, preparing monthly tax reports, preparing monthly tax disbursements, and signing monthly tax disbursements. The former Sheriff did not require a co-signer. The former Sheriff's decision to assign all financial duties to himself and the office clerk without review by another employee led to increased risk of asset misappropriation and increased risk of inaccurate financial reporting.

Segregation of duties over collecting taxes, preparing daily deposits, preparing monthly reports, and preparing disbursements is essential for providing protection from asset misappropriation and/or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

In order to achieve a proper segregation of duties, related activities should have been assigned to different individuals. In addition, the former Sheriff should have implemented compensating controls to mitigate the effects of the lack of adequate segregation of duties. This oversight would not be effective over the duties performed by the former Sheriff. Duties the former Sheriff was performing could have been assigned to other employees and the former Sheriff could then have documented his oversight.

Former Sheriff's response: This sounds good, but in a small office, not practical.

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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