



Auditor of Public Accounts  
Mike Harmon

**FOR IMMEDIATE RELEASE**

Contact: **Michael Goins**  
[Michael.Goins@ky.gov](mailto:Michael.Goins@ky.gov)  
**502.564.5841**  
**502.209.2867**

**Harmon Releases Audit of Leslie County Sheriff's Unmined Coal Tax Settlement**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the sheriff's settlement - 2014 Unmined Coal Taxes for Leslie County Sheriff Delano Huff. 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 unmined coal taxes charged, credited and paid for the period January 1, 2015 through July 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 comments:

**The sheriff's office lacks adequate segregation of duties over disbursements and reconciliations.** The sheriff's office has a lack of adequate segregation of duties over disbursements and reconciliations because the sheriff's bookkeeper is responsible for preparing

disbursements, preparing monthly reports, and reconciling the bank account. The sheriff's limited budget prevents him from hiring additional personnel to adequately segregate duties.

A proper segregation of accounting duties is essential for preventing asset misappropriation and inaccurate financial reporting. In addition, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. If segregation of duties was not feasible due to a limited number of staff, strong oversight of these areas should occur and involve the sheriff or an employee not currently performing any of these functions. If the sheriff chooses to implement compensating controls, his oversight should be documented on the appropriate source documents. The following are examples of compensating controls the sheriff could implement:

- The sheriff, or his designee, can reconcile the bank statement or examine the bank reconciliation prepared by the bookkeeper, resolve any discrepancies, and document the review by initialing the bank reconciliation and the bank statement.
- The sheriff can examine checks prepared by the bookkeeper and compare checks to the monthly tax reports, resolve any discrepancies, and document the review by initialing and dating the monthly tax reports.

*Sheriff's Response: Do [sic] to lack of funding, the Leslie Co. Sheriff's office can not afford to bring someone in to handle the Disbursements and Reconciliations.*

**The incorrect tax rate was used to calculate school taxes.** The incorrect tax rate was used to calculate school taxes. The correct rate set by the Leslie County Board of Education was \$0.565 per \$100 of assessment. However, the tax bills reflected an incorrect rate of \$0.566 per \$100 of assessment. Although it is the responsibility of the Department of Revenue to prepare the tax bills, the sheriff's office did not implement internal controls to verify tax bills reflected the correct rates so that taxes were accurately calculated. As a result, taxpayers were erroneously overcharged 0.001 cents per \$100 of assessment. Effective internal controls should be designed to ensure amounts collected are accurate. The sheriff's office should have implemented controls to verify tax bills reflected the correct tax rates.

*Sheriff's Response: For Future tax years we will take the steps to assure that all rates are correct.*

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](#).

###

*The Auditor of Public Accounts ensures that public resources are protected, accurately valued, properly accounted for, and effectively employed to raise the quality of life of Kentuckians.*

*Call 1-800-KY-ALERT or visit our website to report suspected waste and abuse.*

