



Auditor of Public Accounts
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Harmon Releases Audit of McLean 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 McLean County Sheriff Kenneth Frizzell. 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, 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 comment:

The sheriff's office lacks adequate segregation of duties. The McLean County Sheriff's Office has a lack of adequate segregation of duties. This lack of segregation of duties exists over the receipt and disbursement functions of the sheriff's office because a limited number of

employees are available to properly segregate these job duties. The bookkeeper is responsible for the collection of cash, preparation of the daily deposits, and preparation of daily tax collection journals. She is also responsible for the preparation of monthly reports and issuance of monthly tax distribution checks to each district.

A lack of segregation of duties over receipts and disbursements could result in the undetected misappropriation of assets and inaccurate financial reporting to external agencies, such as the Department of Revenue. Segregation of duties over receipts and disbursements, or implementation of compensating controls when needed due to a limited number of staff, is essential for providing protection to employees in the normal course of performing their duties and can also help prevent the misappropriation of assets and inaccurate financial reporting.

We recommend that the sheriff segregate the duties over the receipt and disbursement functions in order to adequately protect employees in the normal course of performing their duties and to help prevent the misappropriation of assets and inaccurate financial reporting. Proper segregation of duties includes separating the duties of collecting cash, depositing receipts, posting to receipts and disbursements ledgers, performing bank reconciliations, and preparing reports. If segregation of these duties is not feasible, the sheriff should designate 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 these same duties if the bookkeeper were absent.

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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