



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 Incoming Morgan County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2014 taxes for incoming Morgan County Sheriff Anthony Gullett. 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 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. The sheriff's office lacks adequate segregation of duties. The sheriff's bookkeeper collects payments from taxpayers, prepares daily collection reports, deposits daily receipts, prepares monthly tax reports, signs checks, and reconciles the bank account. Inadequate segregation of duties allows one person to have a significant role in processing and recording receipts and disbursements which would increase the

risk of undetected misappropriation of assets and inaccurate financial reporting. Good internal controls dictate the same employee should not handle, record, and reconcile receipts and disbursements. The sheriff should have segregated duties so the same employee did not handle, record, or reconcile receipts and disbursements. If a segregation of duties was not feasible, compensating controls such as strong oversight by the sheriff should have been implemented. We recommend the sheriff segregate duties or offset the lack of segregation of duties by implementing compensating controls. Compensating controls include the sheriff, or another person not involved in the accounting process periodically performing surprise cash counts, reviewing the bank reconciliations, and comparing daily deposits to the daily collection report and the ledgers for any differences. The sheriff could also sign all checks. Compensating controls should be documented by initialing and dating the bank reconciliations, bank deposits, daily collection reports, receipts and disbursement ledgers, and monthly tax reports.

Sheriff Anthony Gullett's response: We are a small office with a limited number of staff, but feel that all duties are adequately fulfilled. In the future we will try to implement more procedures.

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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