



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 Former Morgan County Sheriff's Tax Settlement**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2014 taxes for former Morgan County Sheriff Mickey Whitt. 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, 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's office lacked adequate segregation of duties.** The former sheriff's office lacked adequate segregation of duties. The former sheriff's bookkeeper collected payments from taxpayers, prepared daily collection reports, deposited daily receipts, prepared monthly tax reports, signed checks, and reconciled 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 former 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 former sheriff should have been implemented. We recommend the sheriff's office 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 disbursements ledgers, and monthly tax reports.

*Former Sheriff Mickey Whitt's response: We are a small office with a limited number of staff, but we feel that all duties are adequately fulfilled. In the future we 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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