Auditor of Public Accounts
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Harmon Releases Audit of Former Leslie County Sheriff's Gas and Oil Tax Settlement

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2017 gas and oil tax settlement for former 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 former 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 former sheriff's settlement is prepared on the regulatory basis, which is described in the auditor's opinion letter. Regulatory basis reporting for the former sheriff's settlement is an acceptable reporting methodology, and this reporting methodology is followed for all 120 sheriff settlements in Kentucky.

The former sheriff's financial statement fairly presents the taxes charged, credited, and paid for the period May 16, 2017 through May 15, 2018 in conformity with the regulatory basis of accounting.

As part of the audit process, the auditor must comment on noncompliance 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 Leslie County Sheriff's Office lacked adequate segregation of duties over receipts, disbursements and reconciliations: This is a repeat finding and was included in the prior year report as Finding 2016-001. The former Leslie County Sheriff's Office lacked adequate

segregation of duties over receipts, disbursements, and bank reconciliations. The bookkeeper opened mail, collected tax payments, prepared the daily checkout sheet, prepared the daily deposit, opened bank statements, and prepared bank reconciliations. These incompatible duties created a lack of segregation of duties over receipts, disbursements, and the reconciliation process.

The lack of adequate segregation of duties within the former sheriff's office was the result of limited staff size which prevented the former sheriff from segregating accounting duties to different individuals within the office. The former sheriff stated he could not hire additional employees to allow segregation of duties due to a limited budget.

A lack of segregation of duties could result in undetected misappropriation of assets, errors, or inaccurate financial reporting to local taxing districts.

The segregation of duties over various accounting functions such as opening mail, preparing deposits, and recording payments and disbursements, is essential for providing protection from asset misappropriation or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. The former sheriff could have implemented oversight when duties could not have been segregated.

We recommend the sheriff's office segregate duties or implement compensating controls. The following are examples of compensating controls the sheriff's office could implement:

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

Former Sheriff's Response: The former sheriff did not provide a 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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