



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 Johnson County Sheriff's Tax Settlement**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2018 taxes for former Johnson County Sheriff Dwayne Price. 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 April 17, 2018 through December 31, 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 sheriff's office lacked adequate segregation of duties:** This is a repeat finding and was included in the prior year audit report as Finding 2017-001. While reviewing the former sheriff's internal control procedures, we identified a lack of adequate segregation of duties over receipts and disbursements. These control deficiencies were present because one employee's duties included recording taxes paid, preparing monthly tax reports, preparing monthly tax

disbursements, and co-signing monthly tax disbursements. By not segregating these duties, there is an increased risk of undetected misappropriation of assets by error or fraud.

In order to achieve a proper segregation of duties, related activities should be assigned to different individuals. Since budget restrictions may limit the number of staff the sheriff's office can hire, it may not be feasible to segregate accounting duties to different individuals. In this situation, the sheriff should implement compensating controls to mitigate the effects of the lack of adequate segregation of duties. A proper segregation of duties also protects employees in the normal course of performing their daily responsibilities.

Although the former sheriff had started initialing the bank reconciliations and ledgers we recommend the following compensating controls be implemented by the sheriff's office to offset this deficiency:

- The sheriff's office should designate someone not involved in daily receipts collection to compare daily bank deposits to the daily tax reports. The sheriff should investigate any variances. This review should be documented with the reviewer's initials on the daily checkout sheet.
- The sheriff should review the monthly tax reports and compare them to the checks written to the taxing districts. This should be documented with the sheriff's initials on the monthly reports.
- The sheriff should review the monthly bank reconciliation. The sheriff should compare the amounts deposited on the bank statement to the receipts ledger. This should be documented with the sheriff's initials on the bank reconciliation.

*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](#).

###

*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.*

