



Auditor of Public Accounts
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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 – 2018 taxes for former 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 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. The former sheriff's office lacked adequate segregation of duties. The employees responsible for handling tax receipts also recorded the receipts in the ledger and prepared the bank deposits. The former sheriff was aware of the risk associated with inadequate segregation of duties. However, due to a small staff size and budget

constraints, the former sheriff decided to accept these risks and did not implement compensating controls to offset this weakness. Inadequate segregation of duties allowed one person to have a significant role in processing and recording receipts and disbursements which increased the risk of undetected misappropriation of assets and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the course of performing their daily responsibilities. Good internal controls dictate the same employee should not handle, record, and 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's office segregate duties or offset a lack of segregation of duties by implementing compensating controls. Compensating controls include the sheriff, or another person not involved in the accounting process, periodically perform surprise cash counts, review the bank reconciliations, and compare 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.

Former Sheriff's Response: We were a small office with a limited number staff, but we felt that all duties were adequately fulfilled.

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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