



Auditor of Public Accounts
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Harmon Releases Audit of Bell County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2018 taxes for Bell County Sheriff Mitch Williams. 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 17, 2018 through April 15, 2019 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 comments:

The Bell County Sheriff's Office lacks adequate segregation of duties: The Bell County Sheriff's Office lacks adequate segregation of duties over receipts, disbursements, and bank reconciliations. The sheriff's bookkeeper collects tax payments, prepares deposits, prepares daily tax collection journals, prepares monthly tax reports, prepares tax disbursements and signs those disbursements.

According to the sheriff's office, the lack of adequate segregation of duties within the sheriff's office is the result of limited staff size which prevented the sheriff from segregating accounting duties to different individuals within the sheriff's office.

A lack of segregation of duties could result in undetected misappropriation of assets or inaccurate financial reporting to local taxing districts. The segregation of duties over various accounting functions such as 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 sheriff can implement oversight when duties cannot be segregated.

We recommend the sheriff segregate duties over receipts, disbursements and reconciliations. If this is not feasible due to a lack of staff, then strong oversight over these areas should occur and involve an employee that wasn't currently performing any of those functions. This oversight could be provided by the sheriff (or an individual who did not perform the original procedure) with the oversight documented by the person doing the comparison initialing the appropriate source documents. For example, the sheriff could compare the daily checkout sheet to the receipts ledger and bank deposit slip then initial the checkout, deposit slip and ledger. Also, the sheriff or other individual could compare the disbursement checks to the districts to the disbursement ledger and to the monthly report then initialing the ledger and monthly report when he signs the check.

Sheriff's Response: In process putting policy in place.

The Bell County Sheriff has not settled 2016 tax collections: The Bell County Sheriff still has receivables and liabilities that need to be collected and paid in order to settle the 2016 tax collections. The receivables and liabilities are as follows:

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| • Amount due from State | \$ 20 |
| • Amount due from Pineville School | \$ 10 |
| • Amount due from Middlesboro School | \$ 373 |
| • Amount due from Health District | \$ 40 |
| • Amount due to Franchise Companies | \$ 1,340 |

According to the sheriff's office, the receivables and liabilities are currently being collected. However, the sheriff did not maintain any documentation of this. As a result, the franchise companies did not receive the funds they overpaid and sheriff's office did not receive funds which could have been used to operate his office. Proper internal controls require that all tax collections be settled timely.

KRS 134.192(7) states "On the final settlement, the sheriff shall pay to the county treasurer all money that remains in his or her hands attributable to amounts charged against the sheriff relating to the collection of property taxes, and shall take receipts as provided in KRS 134.160. The sheriff shall pay any additional amounts charged against him or her as a result of the settlements."

We recommend the sheriff settle his 2016 tax collections and maintain documentation of the settlement. Any outstanding checks due taxpayers should be escrowed, and subsequently turned over to the Kentucky State Treasurer as unclaimed funds.

Sheriff's Response: In process of completing.

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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