



Auditor of Public Accounts  
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**Harmon Releases Audit of Incoming Campbell County Sheriff's Tax Settlement**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2014 taxes for incoming Campbell County Sheriff Mike Jansen. 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 January 1, 2015 through April 15, 2015 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 sheriff lacked controls over the 911 service fee and did not provide adequate oversight.** The 911 service fee originated with the passing of county ordinance O-04-13 for the purpose of providing additional funding for the operation of enhanced 911 emergency services. These 911

service fees were included on the Campbell County property tax bills, to be collected by the sheriff and disbursed to the Campbell County Consolidated Dispatch Board.

The 911 service fee was not included on the sheriff's official receipt or the 2014 tax settlement. This resulted in a material adjustment to the sheriff's 2014 tax settlement.

The sheriff's tax software did not maintain documentation for paid and unpaid 911 service fees. The finance officer would print a report showing the amount of 911 fees to be collected before tax collections began, and then had to keep a separate ledger on a daily basis to account for the 911 fees actually collected.

We recommend the sheriff immediately implement controls over the handling of the 911 service fee. We further recommend the following:

- The sheriff should include all taxes and fees charged on the tax bills on the settlement.
- The sheriff/fiscal court should implement software adjustments to be able to provide all information related to the 911 service fee.

Additionally, we recommend the sheriff implement controls and procedures for handling of the 911 service fee when it comes to documenting charges, credits, collected, and distributed.

*Sheriff's response: Has been addressed and corrected with the implementation of a new property tax collection software system.*

**The sheriff did not report penalties correctly on the monthly reports and did not close out the account.** The sheriff reported penalties collected as part of the franchise tax collected instead of separately as its own line item. A tax bill that was paid late had approximately \$94,286 worth of penalty and interest. Total collection for this tax bill was posted as franchises on the sheriff's monthly reports and the settlement.

Because all amounts were posted under franchise, the entire amount was distributed to the districts, even though the sheriff's add on fees should have gone to the sheriff's fee account. This resulted in large refunds due from the various districts to the sheriff. Department of Revenue requires the sheriff to maintain correct monthly reports and settlement amounts.

We recommend the sheriff include penalties as a separate line item on the monthly reports and close out the 2014 tax account by collecting the following amounts:

Fiscal Court	\$ 24,156	Extension Service	\$ 5,218
Common School	29,711	Soil Conservation	198
Bellevue School	6,962	Fire #1	667
Dayton School	7,688	Central Fire	1,085
Silver Grove School	1,273	Southern Campbell Fire	23
Library	10,656	Alexandria Fire	2,308
Health	2,775	Fire #6	27

Once all receivables have been collected, the sheriff should remit a \$2,126 refund due to a taxpayer and \$92,747 due to the sheriff's fee account.

*Sheriff's response: Will be billed/collected during the 2016 Property Tax Collection.*

**The sheriff's office lacks adequate segregation of duties over tax receipts and disbursements.** The employee responsible for handling tax receipts also records the receipts in the ledger, prepares the bank deposit, and performs the monthly bank reconciliation. In addition, the employee prepares the disbursement checks and is an authorized signer on checks.

By the same employee performing these functions, the risk that undetected errors or fraud may occur increases. Segregating duties over tax receipts and disbursements is essential for providing protection from misappropriation of assets and inaccurate financial reporting. Additionally, segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the sheriff segregate duties over tax receipts and disbursement. If not feasible due to a limited staff, the following compensating controls should be implemented to offset this internal control weakness:

- The sheriff should periodically compare a daily bank deposit to the daily checkout sheet and compare the daily checkout sheet to the receipts ledger. Any difference should be reconciled. The sheriff should document this review by initialing and dating the bank deposit, daily checkout sheet, and the receipts ledger.
- The sheriff should periodically perform surprise cash counts and recount cash. The sheriff should document this by initialing the bank deposit ticket.
- The sheriff should periodically compare the bank reconciliation to the balance in the checkbook. Any difference should be reconciled. The sheriff should document this by initialing the bank reconciliation and the balance in the checkbook.

*Sheriff's response: Has been addressed/corrected by the Sheriff now performing periodic audits of the daily bank deposits/checkout sheets and all bank reconciliations.*

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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