



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2017 taxes for Daviess County Sheriff Keith Cain. 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 18, 2017 through April 16, 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 sheriff should require all tax collections be distributed monthly: Tax bills that receive penalty waivers are held until the month of April to be distributed to the taxing districts. The tax bills are marked paid, and monies are deposited into the sheriff's tax account. These bills are assigned to a special drawer, which is not included on monthly reports until April. The April report is adjusted so that the penalties are not included on the monthly report, but the taxes collected are.

Tax bills that have penalties charged but waived by the sheriff must be accounted for separately so the penalty is not automatically put into the monthly report which would cause money, not collected, to be distributed. Monthly tax reports in which tax bills are collected and held for the waived penalty do not reflect the true amount of taxes collected and therefore the taxing districts do not receive all taxes due them for that period of collection. Additionally, the manipulation of tax reports could lead to fraudulent reporting or material errors if the omission of the special tax drawer was never recorded.

KRS 134.191 requires the sheriff to provide monthly reports that include the total amount of taxes collected and the disposition of such revenue or money collected. The statute provides, “At the time of making the report, the sheriff shall pay to the county treasurer or other officer designated by the governing body of a county, to the department, and to any other district for which the sheriff collects taxes, all funds belonging to the county, the state, or the district that were collected during the period covered by the report.” Good internal controls also dictate monthly reports accurately account for all taxes collected for each taxing district for each period of tax collection.

We recommend the sheriff require monthly tax reports include all tax bills and eliminate omission of tax drawers on monthly reports, so all tax funds collected are properly distributed each month. Additionally, we recommend the sheriff discontinue the practice of report modification in order to provide better internal controls over taxes collected.

Sheriff's Response: Beginning with the collection of 2018 tax year, all collections have been distributed monthly.

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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