



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2017 taxes for Oldham County Sheriff Steve Sparrow. 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 did not follow tax collection procedures as required by state laws and regulations for the city of Crestwood's tax collections: This is a repeat finding and was included in the prior year audit report as Finding 2016-001. The sheriff contracts with the city of Crestwood for property tax collections. The sheriff collected \$350,253 in property tax collections on behalf of the city of Crestwood for the 2017 tax collection period - April 18, 2017 through April 16, 2018. The sheriff sends separate city tax bills, receives payments, and prepares a report to the city at the end of the

tax collection period. The sheriff deposits taxes collected directly into the city's bank account and receives a commission check after the tax collection period has ended. The sheriff also provides the city a list of delinquent taxpayers at the end of the tax collection period. The sheriff does not include collections, distributions, or commissions for this collection activity on his annual tax settlement or provide monthly reports to the city but does provide a report to the city at the end of the tax collection period. The city sets its own discount rate and penalty rate, which differ from all of the other taxing districts.

Because the sheriff has established alternate collection procedures for the city of Crestwood's taxes, he has failed to comply with the Kentucky state laws and regulations regarding tax collection procedures for municipalities. This practice has caused his annual settlement to be incomplete and tax bills for the city to be handled incorrectly. KRS 91A.070(1)(b) states, "[t]he sheriff shall collect all city ad valorem taxes, including delinquent taxes, in the same manner as county ad valorem taxes as provided in KRS Chapter 134, and the sheriff shall be compensated in an amount calculated to defray additional costs to the sheriff for the services performed, but such amount shall not exceed the rates provided for tax collection by KRS Chapter 134. All procedures provided by KRS Chapter 134 concerning collection of delinquent taxes by counties shall be applicable."

KRS 134.119(3)(b) states, "[a]ll payments received by the sheriff shall be entered immediately by the sheriff on his or her books." According to KRS 134.191, the sheriff should prepare a monthly report by the tenth of the following month for each district for which he collects taxes. This report should show the amount collected, the amount of any fines, forfeitures or other funds collected, and the disposition of the funds collected. At that time, he should also pay each district all funds belonging to that district for that reporting period.

KRS 134.192(1) states, "[e]ach sheriff shall annually settle his or her accounts with the department, the county, and any district for which the sheriff collects taxes on or before September 1 of each year."

KRS 134.192(5) states, "[t]he settlement shall show the amount of ad valorem tax collected for the county, the school district, and all taxing districts, and an itemized statement of the money disbursed to or on behalf of the county, the school district, and all taxing districts."

We recommend the sheriff follow tax collection procedures as established and required by state laws and regulations for all districts and municipalities. We further recommend the sheriff contact the city of Crestwood to discuss the correct tax collection process.

Sheriff's Response: A meeting has been scheduled with the Oldham County Sheriff's Office and the incoming mayor of Crestwood. This meeting is scheduled to address these issues [to] update the contract with the City of Crestwood to correct all deficiencies.

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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