Harmon Releases Audit of Trimble County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2017 taxes for Trimble County Sheriff Charlie Kelton. 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's office lacked segregation of duties over receipts, disbursements, and bank reconciliations: The Trimble County Sheriff's Office lacked segregation of duties over receipts, disbursements, and bank reconciliations. This is a repeat finding and was included in the prior year audit report as Finding 2016-001. The sheriff's bookkeeper batched receipts to a daily collection report, prepared the deposit ticket, took the deposit to the bank, prepared tax disbursement reports, prepared checks, signed the checks, and reconciled the bank account. There was no independent

review in place. A lack of segregation of duties increases the risk of material misstatement of the tax settlement due to errors in financial reporting and misappropriation of tax receipts. Good internal controls dictate that a segregation of duties related to receipts and disbursements protects employees in their day-to-day functions and it reduces the risk that undetected financial reporting errors may occur.

We recommend the sheriff's office either segregate control duties over receipts and disbursements or implement compensating controls. Examples of compensating controls the sheriff or his designee could implement are: review the deposit ticket to ensure it agrees with the daily collection report, review the disbursements checks to ensure they agree to the corresponding monthly tax distribution report, and review the bank reconciliations to ensure they account for all receipt and disbursement activity. Reviews should be documented by initials of reviewer on the deposit tickets, daily collection reports, and bank reconciliations. The sheriff should sign the checks and monthly distribution reports, evidencing the review.

Sheriff's Response: The sheriff did not provide a response.

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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