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Harmon Releases Audit of Calloway County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2021 taxes for Calloway County Sheriff Nicky Knight. 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 16, 2021 through August 31, 2022 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 finding:

The Calloway County Sheriff's Office did not distribute tax collections by the tenth day of the month as required by statute: The Calloway County Sheriff's Office did not distribute tax collections to all the districts by the tenth day of the month as required by statute. Property tax collections totaling \$444,531 were distributed to the extension district and the soil conservation district late. According to staff, taxes were distributed late due to errors on a few monthly reports.

Because tax collections were not properly distributed to the districts by the tenth day of each month, tax collections were vulnerable to misappropriation and loss. Furthermore, the taxing districts were denied funds that they rely on to provide services to Calloway County. Additionally, the sheriff is not in compliance with KRS 134.191.

Strong internal controls dictate that tax collections be distributed to the taxing districts on a timely basis to help prevent misappropriation and loss. Likewise, KRS 134.191(1) states, “[t]he sheriff shall provide monthly reports by the tenth day of each month to the chief executive of the county, the department, and any other district for which the sheriff collects taxes.” KRS 134.191(3) states, “[a]t 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.”

Furthermore, KRS 134.191(4) states, “[a]ny sheriff failing to pay over taxes collected as required by law shall be subject to a penalty of one percent (1%) for each thirty (30) day period or fraction thereof that the payment is not made, plus interest at the tax interest rate provided in KRS 131.183 on such amounts. The governing body of a county, the department, or the other district for which the sheriff collects taxes, in its settlement with the sheriff, shall charge him or her with such penalties and interest.”

We recommend the Calloway County Sheriff strengthen internal controls over tax distributions to ensure all tax collections are properly distributed to the taxing districts by the tenth day of each month.

Sheriff's Response: Due to software issue distribution amounts were not correct when initially distributing them at the first of the month. It took several days of working with a tech from the software company to get the errors corrected resulting in the extension district and soil conservation district distributions to be distributed after the tenth of the month. Steps have been taken to double check software to ensure correct tax rates as well as any discounts and penalties be applied at correct times to elevate future problems of errors reports.

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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