



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2021 taxes for Mercer County Sheriff Ernie Keltz. 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 Mercer County Sheriff's Office does not have adequate segregation of duties over receipts: The Mercer County Sheriff's Office does not have adequate segregation of duties over receipts. The bookkeeper performs the daily closeout functions, prepares the deposits, takes the deposit to the bank, and records receipts on the ledgers. In addition, the bookkeeper is responsible for preparing the monthly settlement report and completing the monthly bank reconciliations.

According to the sheriff's office, the office has a small office staff, thereby allowing one person to perform most of the financial functions. By the same employee primarily performing related functions, the risk increases that errors or fraud may go undetected. The lack of segregation of duties increases the risk of misappropriation of assets, errors, and inaccurate financial reporting.

The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the assets and ensure accurate financial reporting. Adequate segregation of duties would prevent the same person from having all the significant roles over various accounting functions.

We recommend the sheriff's office segregate duties over the receipt's portions of the tax collection process where possible with limited staff. If segregation of duties is not possible, then the sheriff should implement and document compensating controls to offset this internal control deficiency. These compensating controls could include the following:

- The sheriff, or designee, should review and initial all daily deposit reports and deposit bank receipt verifying all the documents agree to the deposit ticket.

Sheriff's Response: The official 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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