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Ball Releases Audit of Scott County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Allison Ball today released the audit of the sheriff's settlement – 2022 taxes for Scott County Sheriff Tony Hampton. 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 September 1, 2022 through August 31, 2023 in conformity with the regulatory basis of accounting.

The audit contains the following findings:

The Scott County Sheriff did not have adequate internal controls over financial reporting: The Scott County Sheriff prepared and submitted an incomplete 2022 tax settlement statement to the Scott County Fiscal Court. The sheriff's bookkeeper prepared a settlement statement that only included Scott County Fiscal Court tax collections and excluded the Scott County School, Library, Health Department, and Cooperative Extension tax districts. This partial statement was filed with the county clerk's office and approved by the fiscal court on September 8, 2023, after the September 1 deadline. This complete settlement prepared by the bookkeeper and provided to the auditor was materially incorrect and required multiple adjustments totaling \$2,002,113 in additional tax receipts.

We recommend the sheriff strengthen internal controls and oversight over financial reporting to ensure compliance with applicable laws and regulations. The sheriff should monitor the annual tax settlement process for risk of noncompliance and consider the use of an outside agent such as the Department of Revenue, a Certified Public Accountant, or another qualified party to assist in the completion of the annual tax settlement if needed.

Sheriff's Response: The Sheriff has designated the Chief Deputy to oversee all financial reporting. There will be a Certified Public Accountant assisting the bookkeeper in the completion of the annual tax settlement.

The Scott County Sheriff does not have adequate segregation of duties: The sheriff's bookkeeper prepares daily check-out sheets and deposit slips, signs disbursement checks, and prepares monthly reports. The sheriff and his staff did not maintain a receipts and disbursements ledger, or document bank statement reconciliations monthly. The bookkeeper maintained a check register and monitored bank activity online to confirm when checks cleared. The bookkeeper also posts payments to the tax software for taxes collected via online processing and those collected by the sheriff's bank, as well as manually tracks franchise payments. Further, there is no documentation of a review of bank statements or reconciliations. According to the sheriff, there is a small administrative staff, and the bookkeeper has been delegated to execute most accounting functions.

We recommend the sheriff implement the segregation of duties over custody of assets, recording function, authorization of disbursements, and reconciliation of the book balance to the bank balance. If these duties cannot be segregated, then the sheriff should implement compensating controls to strengthen oversight of duties performed by the same person.

Sheriff's Response: Each day, a daily checkout sheet is prepared and presented to the Sheriff or Chief Deputy for review. Once the deposit has been made, the Sheriff or Chief Deputy will compare the deposit slip to the checkout sheet. Each month, the Chief Deputy will review and compare the disbursements and receipts to the bank reconciliations and bank statements.

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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