



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2018 taxes for Carlisle County Sheriff Will Gilbert. 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 January 7, 2019 through April 15, 2019 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 Carlisle County Sheriff's Office lacks adequate segregation of duties over tax collections: The sheriff's bookkeeper and the part-time assistant collect taxes, post payments to the tax software, prepare deposits, prepare monthly tax reports and monthly tax distributions, perform monthly bank reconciliations and prepare the annual tax settlement. The sheriff has implemented compensating controls such as reviewing and initialing bank reconciliations, dual signatures are required for all disbursements with one being the sheriff, and reviewing monthly

tax reports by signing and dating reports. However, the sheriff's office lacks adequate compensating controls over tax collections due to not documenting the review of daily checkout sheets, deposit tickets, and ledgers. A lack of segregation of duties or strong oversight increases the risk of undetected misappropriation of assets or inaccurate financial reporting.

Good internal controls dictate the same employee should not handle, record, and reconcile receipts. Furthermore, the same employee should not be responsible for preparing, recording, and reconciling disbursements. The segregation of duties over various accounting functions such as opening mail, preparing deposits, recording receipts and disbursements, and preparing monthly reports, or the implementation of compensating controls is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. If this is not feasible due to budgetary constraints, cross checking procedures could be implemented and documented by the individual performing this procedure.

This deficiency was present because of the limited number of office staff and the budget requirements of the sheriff's office. The sheriff was unaware of the need to document review of tax collection documents. To adequately protect against the misappropriation of assets and financial reporting, we recommend that the sheriff's office segregate the duties noted above to the extent allowed by budget restrictions. For those duties that cannot be segregated due to a limited number of staff, we recommend the sheriff's office strengthen the management oversight that is currently in place.

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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