



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2018 taxes for Christian County Sheriff Tyler DeArmond. 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 1, 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 sheriff's office lacks segregation of duties over receipts: The sheriff's bookkeeper collects taxes, prepares daily checkout sheets, prepares the receipts ledgers, and prepares monthly reports for the Christian County Sheriff's Office. The sheriff indicated that this was due to a limited budget which restricts the amount of employees he can hire to delegate the various duties between.

Segregation of duties over these tasks and cross-training deputies, when needed because the number of staff is limited, is essential for providing protection from asset misappropriation, and inaccurate financial reporting. Additionally, proper segregation of duties and cross-training deputies protects employees in the normal course of performing their daily responsibilities. Good internal controls dictate that the collection of receipts, disbursing of cash, recording of transactions, and bank reconciling duties be segregated.

We recommend the Christian County Sheriff segregate duties over the receipts functions at the office if at all possible. If this is not feasible, compensating controls should be introduced to limit the risks to the office.

Sheriff's Response: The bookkeeper does not collect taxes, however; she does collect Franchise Taxes, which is minimal. The system in place for collecting Franchise Taxes would require an Administrative Clerk to log out of one tax system, log into another system to enter the Franchise Tax, log out of that system and then log back into the regular tax system. Requiring a Clerk to go through this, to simply enter a Franchise Tax, would be more problematic than having the bookkeeper perform this task. The segregation of transactions is already in place by each of the Administrative Staff. These transactions are checked by each staff member upon collection, double checked by the bookkeeper and then checked a third time by the bank when the transactions are deposited. This same process also provides accuracy for collection of receipts. Furthermore, this same process is used when verifying daily checkout sheets, receipt ledgers and the monthly reports. The need for any further delegation does not present itself when there is already a 3-step verification system in place.

Auditor's Reply: The bookkeeper collected franchise taxes, which are a large amount of taxes collected. The compensating controls listed in the response above were not documented and therefore could not be verified.

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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