



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2017 taxes for Gallatin County Sheriff Josh Neale. 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 18, 2017 through April 16, 2018 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 adequate segregation of duties over receipts and disbursements: The sheriff's office lacks adequate segregation of duties over receipts and disbursements. This is a repeat finding and was reported in the prior year audit report as Finding 2016-001. All employees of the sheriff's office collect receipts. The office manager is responsible for preparing the daily bank deposit, the daily checkout sheet, and posting items to the receipts ledger. The office manager also prepares checks for all disbursements including payroll and posts to the disbursements ledger.

The sheriff and office manager are the only authorized check signers; however, the sheriff does not require dual signatures on checks. The office manager prepares the quarterly financial report and bank reconciliations that are agreed to the receipts and disbursements ledgers. According to the sheriff, the limited size of the sheriff's office makes it difficult to segregate duties properly. Segregation of duties over these tasks, or the implementation of compensating controls when limited by staff, is essential for providing protection from asset misappropriation and helping prevent inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. Good internal controls dictate that the same employee should not handle, record, and reconcile receipts and disbursements.

We recommend the sheriff separate the duties of collecting taxes, preparing daily deposits, preparing and mailing disbursements, and preparing financial reports. If these duties cannot be segregated due to a limited number of staff or a limited budget, then strong oversight should be provided to the employee responsible for these duties and this oversight should be documented.

Sheriff's Response: Small department with limited funding.

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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