



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

FRANKFORT, Ky. – State Auditor Allison Ball released the audit of the sheriff's settlement – 2022 taxes for former 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 former 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 former sheriff's settlement is prepared on the regulatory basis, which is described in the auditor's opinion letter. Regulatory basis reporting for the former sheriff's settlement is an acceptable reporting methodology, and this reporting methodology is followed for all 120 sheriff settlements in Kentucky.

The former sheriff's financial statement fairly presents the taxes charged, credited, and paid, for the period, September 1, 2022 through December 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 former Gallatin County Sheriff's Office did not have adequate segregation of duties over receipts, financial reporting, or bank reconciliations: This is a repeat finding and was included in the prior year's audit report as Finding 2021-001. The former sheriff's office did not have adequate segregation of duties and internal controls over receipts, financial reporting, and bank reconciliations. The office manager was responsible for preparing the daily bank deposit, the daily collection report, and posting items to the receipt's ledger. The office manager also prepared the tax settlement financial statement and bank reconciliations that are agreed to the ledgers. There was no independent review of deposits, financial statement, or bank reconciliations completed by office manager.

The former sheriff did not have segregation of functions over receipts, financial reporting, and bank reconciliations. Segregation of duties over these tasks 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's office separate the duties of collecting taxes, preparing financial reports, and bank reconciliations. If these duties cannot be segregated, then strong oversight should be provided to the employee responsible for these duties and this oversight should be documented. The individual performing the oversight and reviews should initial or sign deposit tickets, financial reports, and bank reconciliations for evidence of their review.

Former Sheriff's Response: The former 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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