



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2018 taxes for Lawrence County Sheriff Chuck T. Jackson. 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 Lawrence County Sheriff's Office lacks adequate segregation of duties: The sheriff's office lack adequate of duties over receipts and disbursements. Two deputy clerks collect tax payments from customers and prepare daily bank deposits. One deputy clerk prepares monthly tax reports, writes checks for distribution and the sheriff signs the checks. The bookkeeper posts to the receipts and disbursement ledger and prepares monthly bank reconciliations.

A lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department of Revenue and other taxing districts.

Good internal controls dictate that certain accounting functions should be performed by several different employees to provide reasonable assurance the financial activity is properly accounted for and accurately reported. Additionally, internal controls and proper segregation of duties protect employees in the normal course of performing their daily responsibilities. In order to achieve a proper segregation of duties, the sheriff should assign different employees to be responsible for preparing daily deposits, disbursing tax collections, recording tax transactions, and monthly bank reconciliations.

The sheriff has not structured his office in a way to ensure that bookkeeping functions are segregated over receipts, disbursements and the reconciliation process.

We recommend the sheriff's office implement internal controls and segregate duties as much as possible. The sheriff could take on the responsibility of reviewing the daily deposits, receipts and disbursements ledgers, and monthly tax reports. These reviews must be documented in a way that indicates what was reviewed, by whom, and when.

Sheriff's Response: The Sheriff or deputy clerk reviews, initials and dates daily deposit tickets, daily checkout sheets. The sheriff signs and dates monthly tax reports and disbursement checks. The sheriff also initials and dates bank statements and reconciliations.

Auditor's Reply: The sheriff implemented these procedures after the 2018 tax settlement was completed.

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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