



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2016 taxes for incoming Trimble County Sheriff Charles Kelton. 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 March 9, 2017 through April 17, 2017 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 internal control over financial operations and reporting.

The audit contains the following comment:

The Trimble County Sheriff's office lacked segregation of duties over receipts, disbursements, and bank reconciliations: This is a repeat finding and was included in the prior year audit report as Finding 2015-001. The Trimble County Sheriff's office lacked segregation of duties over receipts, disbursements, and bank reconciliations.

The sheriff's bookkeeper batched receipts to a daily collection report, prepared the deposit ticket, took the deposit to the bank, prepared tax disbursement reports, prepared checks, signed the checks, and reconciled the bank account. The sheriff did not have controls in place to segregate all of these duties nor did he ensure an independent review process was in place to review these records.

A lack of segregation of duties increases the risk of material misstatement of the tax settlement due to errors in financial reporting and misappropriation of tax receipts.

Good internal controls dictate a proper a segregation of duties related to receipts and disbursements. Segregation of duties protects employees in their day-to-day functions and reduces the risk that undetected financial reporting errors may occur.

We recommend the sheriff's office segregate duties related to receipts and disbursements. If segregation is not possible, the sheriff should implement compensating controls to mitigate the risk of misstatement.

Sheriff's Response: Due to small office not feasible.

Auditor Reply: While segregation of duties is more difficult to accomplish in a small office, the sheriff's office can still implement compensating controls to mitigate the risk.

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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