



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2019 taxes for 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 April 16, 2019 through May 15, 2020 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 Trimble County Sheriff's office does not have segregation of duties over receipts and disbursements: This is a repeat finding and was included in the prior year audit report as finding 2018-001. The Trimble County Sheriff's office does not have segregation of duties over receipts and disbursements. The sheriff, deputies, and bookkeeper can collect money. The bookkeeper prepares the daily collection report, deposit ticket, takes the deposit to the bank, prepares monthly reports, and prepares and signs checks. A ledger is not prepared, however the bookkeeper agrees

the deposits on the bank statement to the monthly reports and copies of the disbursement checks on the monthly reports to the bank statement. There was no documentation of review that indicated an independent employee reviewed documents. According to the sheriff, the office does not have adequate resources to hire the additional personnel required to segregate duties effectively. A lack of segregation of duties increases the risk of material misstatement of the tax settlement due to undetected errors in financial reporting and misappropriation of tax receipts.

Segregation of duties over receipt procedures, disbursement processing, and report preparations is essential for providing protection from fraud or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the sheriff's office either segregate control duties over receipts and disbursements or implement compensating controls. Examples of compensating controls the sheriff could implement are:

- The sheriff should prepare a receipts and disbursements ledger daily and reconcile to the bank balance on a monthly basis. This should be reviewed and initialed.
- The sheriff should compare the bank deposit ticket, bank deposit receipt, and daily cash drawer report. This should be documented by initialing the bank deposit ticket, daily checkout sheet, and bank deposit receipt.
- The sheriff should compare the monthly tax report to the disbursement check and sign the check as a dual signature.

Sheriff's Response: The 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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