



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2014 taxes for Scott County Sheriff Tony Hampton. 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 generally accepted accounting principles in the United States. 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, 2014 through April 15, 2015 in conformity with the regulatory basis of accounting.

As part of the audit process, the auditor must comment on non-compliance 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 2014 tax settlement was not accurate or properly supported. The following errors were noted with the tax settlement prepared by the bookkeeper:

- Franchise taxes collected per the settlement did not agree to the ledger or recap of monthly reports.
- Refunds per the settlement did not agree to the supporting documentation, recap of cancelled checks, or monthly reports.
- Total delinquent franchise taxes per the settlement did not agree to the list of franchise bills turned over to the County Clerk. One of the six franchise bills turned over as delinquent had been paid in the Sheriff's office and was noted as paid on the bookkeeper's franchise ledger.
- Delinquent Real Estate reported on settlement did not agree to supporting documentation for any of the districts and Delinquent Tangible for the County did not agree to support. One bill was included on the settlement as delinquent, and even though it had been paid, it was not marked paid in system.
- In addition to the errors noted above, the settlement did not calculate correctly, causing the settlement prepared by the bookkeeper to show the Sheriff owed the districts \$14,634, while the audited settlement shows a refund due the Sheriff of \$7,858.

In addition, the following errors were noted with monthly reports:

- Discount was not included for LSG bill paid during discount period.
- Property tax bill paid during the discount period was not included on monthly report or marked paid until August.
- Funds for three franchise bills were deposited into the 2014 tax account, but the bills were not included on a monthly report and never distributed. One of these bills was listed as paid on the 2015 ledger, instead of the 2014 ledger.

Errors as noted above were due to deficiencies in the internal control structure. The tax settlement was not reviewed by someone not involved in the preparation of the settlement. Good internal controls require sufficient reconciliation and review procedures to ensure significant errors do not go undetected.

To prevent the errors and deficiencies noted above and improve financial accountability over tax collections and distributions, we recommend:

- Monthly tax reports to the districts should be reviewed to ensure the correct distribution is reported
- Bank reconciliations should be properly reviewed to determine they are accurate. In addition, someone other than the bookkeeper should complete a "Determination of Fund Balance" for the tax account at the end of each month.
- Refund calculations should be reviewed for correctness and refund checks written for the month should be agreed to the refund credit taken per the monthly report.

Sheriff's response: We have improved the controls in this area to improve this area.

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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