



**Auditor of
Public Accounts
Allison Ball**

Jackson County Sheriff's Tax Settlement Audit

FRANKFORT, Ky. – State Auditor Allison Ball today released the audit of the sheriff's settlement – 2023 taxes for Jackson County Sheriff Daniel Isaacs. 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 September 1, 2023 through August 31, 2024 in conformity with the regulatory basis of accounting.

Finding: The sheriff's office did not have adequate segregation of duties over receipts and disbursements:

The sheriff's former bookkeeper collected payments from customers, prepared daily collection reports, prepared deposits, and monthly tax reports. Upon completion of the monthly reports, the former bookkeeper prepared and signed the checks and performed the monthly bank reconciliations. In addition, the former bookkeeper also had administrative rights to the tax program used to collect taxes. In response to the lack of segregation of duties, the sheriff implemented some compensating controls; however, they were not sufficient to mitigate the lack of segregation of duties.

Recommendations

We recommend the sheriff's office segregate the duties noted above by allowing different employees to perform these functions. However, if those duties cannot be segregated due to a limited staff, strong management oversight by the sheriff or designee should be performed. This oversight should include reviewing daily checkout sheets and deposits, reviewing monthly tax reports, and reviewing the monthly bank reconciliations. Documentation, such as the sheriff's or a designee's initials or signature should be provided on those items that are reviewed. Dual signatures should also be required on all checks.

County Officials Response

Sheriff's Response: The sheriff did not provide a response.

Finding: The sheriff's office did not prepare daily checkouts or make daily deposits

The Jackson County Sheriff's Office did not prepare daily checkouts or make daily deposits. One month of daily receipt reports was tested and noted that receipts were collected for 21 days, while only 12 bank deposits were made for the month tested, and cash and check totals per daily receipt reports do not agree to any of the bank deposits during the month tested. The sheriff's bookkeeper was hired in October 2023 after tax collections had started and with no initial training specific to the bookkeeper position. The bookkeeper was unaware of various responsibilities.

Recommendations

We recommend the sheriff's office require deposits to be made daily and strengthen internal controls over daily checkout procedures to ensure deposits are made daily.

County Officials Response

Sheriff's Response: The sheriff did not provide a response.

Finding: The sheriff has not settled the 2023 tax account

The sheriff has not closed out the official bank account for 2023 tax collections. The total assets were \$21,702, the total unpaid obligations were \$23,265, and the sheriff had a total fund deficit as of August 31, 2024 of \$1,563. The sheriff was waiting for completion of audit to settle the 2023 tax account. As a result of the 2023 tax account not being closed the sheriff is not in compliance with KRS 134.192(1).

Recommendations

We recommend the sheriff settle the 2023 tax account by collecting all receivables and paying all liabilities.

County Officials Response

Sheriff's Response: The sheriff did not provide a response.

Finding: The sheriff's office did not accurately pay commissions, add-on fees, or interest to the fee account

Commissions on tax collections were not paid monthly and were overpaid to the sheriff's fee account. The sheriff's fee account was due commissions of \$89,436, however, the sheriff paid commissions in three payments totaling \$100,253 resulting in an overpayment of \$10,817. The sheriff's office collected \$23,052 of 10% add-fees for tax bills that were paid late during the months of February, March, and April 2024. No add-on fees were paid to the sheriff's fee account for the 2023 tax year. The interest earned on the interest-bearing account was not properly distributed, resulting in \$404 of interest. The sheriff's fee account was due \$208 and \$196 was due to the school taxing district. The school was paid \$236 resulting in a \$40 overpayment and no interest was paid the sheriff's fee account resulting in \$208 underpayment. During the 2023 tax collection period, the sheriff refunded a total of \$4,848, however, the sheriff did not report the refunds on the monthly distribution reports which resulted in the overpayment of taxes to various taxing districts.

Recommendations

We recommend the sheriff become compliant with laws and regulations by ensuring refunds, commissions, add-on fees, and interest collected are accurately accounted for and paid timely.

County Officials Response

Sheriff's Response: The sheriff 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](#).

