



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2016 taxes for McLean County Sheriff Kenneth Frizzell. 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, 2016 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 the internal control over financial operations and reporting.

The audit contains the following comment:

The sheriff failed to include franchise taxes on his 2016 tax settlement: The McLean County Sheriff did not submit a franchise tax settlement or include franchise taxes on his property tax settlement that was submitted to fiscal court for approval. The sheriff's bookkeeper prepared a settlement for franchise taxes for auditors, but it was not approved by the fiscal court. According to the sheriff, this was due to the fact that neither the sheriff nor bookkeeper were aware that the

franchise settlement should be included with the regular tax settlement. The omission of franchise taxes from the sheriff's tax settlement caused the sheriff's tax settlement to be materially misstated.

By not submitting a franchise settlement to the fiscal court, the taxing districts cannot ensure that all taxes due to them have been paid correctly. KRS 134.192(1) requires the sheriff to, "annually settle his or her accounts with the department, the county, and any district for which the sheriff collects taxes on or before September 1 of each year."

We recommend the sheriff prepare a settlement for all taxes collected in each tax year.

Sheriff's Response: When the auditor made me aware of this issue I immediately made notes in my Franchise Notebook. When I closed out my franchise account for 2017 I presented it to Fiscal Court and have the minutes and closeout spreadsheet with my Franchise records ready for the next audit.

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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