



Auditor of Public Accounts  
Mike Harmon

**FOR IMMEDIATE RELEASE**

Contact: **Michael Goins**  
[Michael.Goins@ky.gov](mailto:Michael.Goins@ky.gov)  
**502.564.5841**  
**502.209.2867**

**Harmon Releases Audit of Hickman County Sheriff's Tax Settlement**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2015 taxes for Hickman County Sheriff Mark Green. 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, 2015 through April 15, 2016 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 comments:

**The sheriff did not properly settle 2013 tax collections which resulted in a deficit.** The Hickman County Sheriff used the 2014 tax collections to cover a shortage in the 2013 tax year. It is not appropriate to use funds from one year to cover a shortage of a previous year. Instead, the sheriff should have eliminated the deficit in his 2013 tax account by depositing personal funds of \$193 into the 2013 tax account to cover amounts due districts. The sheriff failed to

follow the prior year recommendation to eliminate the deficit in the 2013 tax account. As a result, the taxing districts were overpaid taxes during tax year 2014, and are still owed taxes from tax year 2013.

KRS 134.192(1) requires the sheriff's annual settlement to be audited and also states that the "sheriff shall annually settle his or her accounts with the department, the county, and any district for which the sheriff collects taxes[.]"

In order to properly settle the 2013 tax year, we recommend the sheriff deposit personal funds of \$193 into his official tax account and distribute the remaining taxes due to the taxing districts for tax year 2013.

*Sheriff's response: I am working to pay this back to the tax account before the next tax account audit as requested by [the] Auditor [name redacted].*

**The sheriff's office lacks adequate segregation of duties over tax collections.** A review of internal controls at the Hickman County Sheriff's Office revealed inadequate segregation of duties over tax collections. This material weakness is present because one employee's duties include processing tax payments, preparing daily deposits, recording tax transactions, preparing monthly tax reports, disbursing monthly tax distributions, and completing monthly bank reconciliations with little oversight. By not properly segregating the accounting functions to account for tax collections, public funds are at risk of being misappropriated which could lead to, at a minimum, inaccurate financial reporting.

Good internal controls dictate that certain accounting functions should be performed by more than one employee to provide reasonable assurance the financial activity is properly accounted for and accurately reported.

In order to achieve a proper segregation of duties, the sheriff should assign different employees to be responsible for preparing daily deposits, disbursing tax collections, recording tax transactions, and monthly bank reconciliations. If it is not feasible to segregate these duties, the sheriff should implement compensating controls such as comparing bank deposits to the daily collection reports, reviewing monthly bank reconciliations, and comparing monthly franchise tax reports to bank deposits and tax payments. All compensating controls performed should be documented with the date and initials of the employee performing the review.

*Sheriff's response: In 2015 I implemented QuickBooks into the sheriff's office in order for the bookkeeping process to be completed in a more timely fashion as well as all work be now computerized. Myself, the sheriff's office clerk and part-time deputy check each other's work daily. Deposits are not only made daily but they are checked daily. Bank statements are double checked to deposits/withdraws to check for any discrepancies. The system is better than it's ever been in the sheriff's office.*

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](#).

###

*The Auditor of Public Accounts ensures that public resources are protected, accurately valued, properly accounted for, and effectively employed to raise the quality of life of Kentuckians.*

*Call 1-800-KY-ALERT or visit our website to report suspected waste and abuse.*

