



Auditor of Public Accounts
Mike Harmon

FOR IMMEDIATE RELEASE

Contact: **Michael Goins**
Michael.Goins@ky.gov
502.564.5841
502.209.2867

Harmon Releases Audit of Knox County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2016 taxes for Knox County Sheriff Mike Smith. 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 did not segregate the accounting duties of his office. This is a repeat finding and was included in the prior year audit report as Finding 2015-001. The sheriff's office lacks adequate segregation of duties over receipts, disbursements, and reconciliations. The sheriff's office manager collects tax payments from customers, prepares the monthly reports, prepares disbursement checks, and posts transactions to the ledgers. The part-time bookkeeper collects

tax receipts and performs the monthly bank reconciliations. The sheriff has instituted the compensating control of not allowing the individual who prepares disbursements to authorize them.

According to the sheriff, a limited budget restricts the number of employees he can hire for tax collection duties. The lack of appropriate segregation of accounting duties could result in undetected misappropriation of assets or incorrect financial reporting to external agencies such as the Department of Revenue and other taxing districts. A proper segregation of duties over accounting functions is essential for preventing asset misappropriation and inaccurate financial reporting. In addition, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

To adequately protect against misappropriation of assets and inaccurate financial reporting, we recommend the sheriff separate the duties of collecting taxes, preparing and mailing disbursements, preparing monthly reports, and performing the monthly bank reconciliations. If this is not feasible due to a lack of staff, then strong oversight over these areas should occur and involve an employee that does not currently performing any of these functions. Additionally, the sheriff could provide this oversight and document it on the appropriate source documents.

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](#).

###

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.

