



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 Martin County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2016 taxes for Martin County Sheriff John Kirk. 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 July 16, 2016 through June 19, 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 internal control over financial operations and reporting.

The audit contains the following comment:

The sheriff's office lacks adequate segregation of duties: The sheriff's office lacks adequate of duties over receipts and disbursements. Two deputy clerks collect tax payments from customers and prepare daily bank deposits. One deputy clerk prepares monthly tax reports and writes checks for distribution, and the sheriff signs the checks. The bookkeeper posts to the receipts and disbursements ledger and prepares monthly bank reconciliations, although there is nothing documented to determine who prepared the reconciliation or that it was reviewed. The sheriff has

not structured his office in a way to ensure that bookkeeping functions are segregated over receipts, disbursements, and the reconciliation process.

The lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Kentucky Department of Revenue and other taxing districts. Good internal controls dictate that certain accounting functions should be performed by several different employees 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. We recommend the sheriff's office implement internal controls and segregate duties as much as possible. The sheriff could take on the responsibility of reviewing the daily deposits, receipts and disbursements ledgers, monthly reports, and bank reconciliations. These reviews must be documented in a way that indicates what was reviewed, by whom, and when.

Sheriff's Response: Due to budgetary restrictions for staffing, we have limited options for segregating duties any further. We have separated responsibilities and oversight wherever possible and will work toward further separation as funding permits. We will continue to develop compensating controls to offset potential risks.

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.

