



Auditor of Public Accounts  
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**FOR IMMEDIATE RELEASE**

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**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 - 2014 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, 2014 through April 15, 2015 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 comment:

**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 an 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 to no oversight.

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. By not properly segregating the accounting functions to account for tax collections, public funds are at risk of being misappropriated or inaccurately 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 a) comparing bank deposits to the daily collection reports, b) reviewing monthly bank reconciliations, and c) comparing monthly franchise tax reports to bank deposits and tax payments. All compensating duties performed should be documented with the date and initials for the employee performing the review.

*Sheriff's response: We have definitely improved in this over the past years. I have myself and two other persons over seeing the daily reports, deposits, etc.*

**The sheriff did not properly settle 2013 tax collections which resulted in a deficit.** The Hickman County Sheriff used 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 in 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. As a result, the taxing districts were overpaid taxes during tax year 2014 and are still owed taxes from the tax year 2013. KRS 134.192 requires the sheriff's annual settlement be audited and that the sheriff shall annually settle his/her accounts with the entities for which the sheriff collects taxes. The sheriff's office was not aware it was inappropriate to make adjustments for amounts due districts on current year's collections. 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: To my knowledge I was not told this took place. I was unaware that this had took place until now. This had not properly been brought to my attention by bookkeeping, possibility due to having to be on medical leave. The situation will be taken care of and the districts due will be repaid.*

**The sheriff's approved tax settlement for tax year 2014 was incomplete.** The Hickman County Sheriff approved tax settlement for tax year 2014 did not report any franchise tax collections, amounts for exoneration increases/decreases, or delinquent real estate/tangible taxes. It also omitted taxes paid districts and refunds issued. As a result, material adjustments are required to the sheriff's approved tax settlement for tax year 2014. KRS 134.192(5) states, "The report of the state and local settlement shall be filed in the county clerk's office and approved by the governing body of the county no later than September 1 of each year. The settlement shall show the amount of ad valorem tax collected for the county, the school district, and all taxing districts, and an itemized statement of the money disbursed to or on behalf of the county, the

school district, and all taxing districts.” At the time the settlement was due, the sheriff’s bookkeeper was unavailable. The sheriff was not aware that the bookkeeper had prepared a settlement for tax year 2014 and so he presented what he had printed from the computer system. We recommend that in the future the sheriff prepare a complete tax settlement as required.

*Sheriff’s response: My auditor brought this to my attention, this was an oversight due to a personnel shortage due to an unforeseen illness. The paperwork that I turned in to the Fiscal Court was typed out in a legible, neat manner. The paperwork that was to have been turned in was hand written and did not appear at the time to have been what I consider to have been professionally done. To fix this problem we now complete all forms on Quickbooks and are done in a timely, professional manner.*

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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