



Auditor of Public Accounts
Mike Harmon

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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-2014 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, January 1, 2015 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 did not segregate duties over receipts and disbursements. The sheriff did not segregate duties over receipts and disbursements. The bookkeeper collects tax payments from customers, prepares monthly tax reports, prepares all disbursements, and performs monthly bank reconciliations. This condition is a result of the sheriff's limited budget for staff. One person having control over receipts, disbursements, and reporting increases the risk of error and

financial misstatement. Good internal controls dictate one person should not have control over all aspects of the receipts and disbursements cycles. In our evaluation of internal controls we noted that the sheriff instituted some compensating controls, but they are not sufficient to reduce the weakness. We recommend the sheriff segregate duties or institute additional compensating controls. Those controls should be evidenced by the preparer/reviewer initials on the documents.

Sheriff's response: No 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](#).

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