



Auditor of Public Accounts
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Harmon Releases Audit of Martin County Sheriff's Gas and Oil Tax Settlement

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2018 gas and oil tax settlement 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 August 17, 2018 through July 16, 2019 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 Martin County Sheriff's Office does not have adequate segregation of duties: This is a repeat finding and was included in the prior year audit report as Finding 2017-001. The sheriff's office does not have adequate segregation 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, writes checks for distribution and the sheriff signs the checks.

A lack of oversight could result in undetected misappropriation of asset and inaccurate financial reporting to external agencies such as the 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 collections, and monthly bank reconciliations. The sheriff has not structured his office in a way to ensure that bookkeeping functions are segregated over receipts, disbursements and the reconciliations process.

We recommend the sheriff's office implement internal controls and segregate duties as much as possible. The sheriff could take the responsibility of reviewing the daily deposits, receipts, and disbursements ledgers, and monthly tax reports. These reviews must be documented in a way that indicates what was reviewed, by whom, and when.

County Sheriff's Response: Due to budgetary constraints, we have limited staff available to completely segregate duties. We will continue to work toward this and will use compensating controls wherever possible.

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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