



Auditor of Public Accounts
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Harmon Releases Audit of Former Interim Daviess County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2021 taxes for former interim Daviess County Sheriff Barry 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 former interim 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 former interim sheriff's settlement is prepared on the regulatory basis, which is described in the auditor's opinion letter. Regulatory basis reporting for the former interim sheriff's settlement is an acceptable reporting methodology, and this reporting methodology is followed for all 120 sheriff settlements in Kentucky.

The former interim sheriff's financial statement fairly presents the taxes charged, credited and paid for the period December 1, 2021 through August 31, 2022 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 finding:

The former interim Daviess County Sheriff's tax settlement was materially misstated: The former interim Daviess County Sheriff's tax settlement, for the period December 1, 2021 through

August 31, 2022, was materially inaccurate. The former interim sheriff's settlement was overstated by the following:

- Real Estate Taxes of \$263,720
- Franchise Taxes of \$1,073,055
- Discounts of \$7,333
- Tax Commissions of \$29,914
- Taxes Paid of \$1,309,735

This was due to an error when preparing the tax settlements that were presented to fiscal court. The franchise and fire district tax settlements that were approved by the fiscal court included taxes that were collected by the outgoing sheriff in the period of April 16, 2021 through November 30, 2021. As a result, the former sheriff's settlement presented and approved by the fiscal court was not a complete and accurate reporting of taxes collected for the period December 1, 2021 through August 31, 2022.

According to KRS 134.215(3), "[e]ach outgoing sheriff shall make a final settlement with the department, the fiscal court, and all districts for which his or her office collected taxes by March 15 immediately following the expiration of his or her term of office. The settlement shall address all charges of taxes made against the sheriff and all money received by him or her as sheriff, all shall include all of the information required for the annual settlement pursuant to KRS 134.192." KRS 134.192(5) states, in part, "[t]he 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."

The former interim sheriff should have presented separate settlements for the franchise and fire district tax collections that occurred while he was interim sheriff.

Former Sheriff's Response: Upon the retirement of Sheriff Cain, I reached out to our auditors as well as County Fees for clarification on best practices to close out his term. Concerning taxes, I was told to complete a settlement for property taxes collected in the month of November. The settlement was completed for the real estate/tangible collections we were currently involved in. I learned one year later that a settlement should have also been completed for franchise taxes collected to the end of his term.

As a result, a material misstatement was made. It is important to note that all taxes balanced for the 2021 tax year. There were no funds missing or misappropriated.

Sheriff Barry Smith left our office on December 31, 2022. Upon his retirement, settlements were completed for both regular revenue and franchise taxes. The problem has already been corrected.

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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