



Auditor of Public Accounts
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Harmon Releases Audit of Grant County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2020 taxes for Grant County Sheriff Brian Maines. 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 May 16, 2020 through April 15, 2021 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 Grant County Sheriff did not have adequate controls over tax settlement preparation, which resulted in an incomplete settlement and inaccurate reporting: This is a repeat finding and was included in the prior year audit report as Finding 2019-001. The Grant County Sheriff did not have adequate controls over tax settlement preparation. The tax settlement is prepared by a third party and did not have any review of the prepared tax settlement. After review of the

settlement, it was determined that it was incomplete, inaccurate, and required numerous adjustments. The following are the material adjustments:

- Current Year Franchises of \$2,138,643;
- Total Taxes Collected of \$2,210,423; and
- Total Taxes Paid of \$938,219;

Controls were not in place to ensure the tax settlement was completed correctly and amounts reported were accurate. The material adjustments were due to the third party who prepared the sheriff's tax settlement not including charges for franchise taxes collected. This lack of oversight resulted in incomplete and inaccurate tax settlements.

Strong internal controls over financial reporting are needed in order to ensure accurate reporting of tax collections and distributions. Accurate financial reporting helps ensure the proper amounts of taxes are distributed to the taxing districts. 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."

We recommend the sheriff's office strengthen controls over the preparation of the tax settlement, ensuring it is complete and accurate. We recommend the sheriff implement a review process after the third party has prepared the tax settlement.

County Sheriff's Response: Settlements will be completed and accurate.

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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