



Auditor of Public Accounts  
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**FOR IMMEDIATE RELEASE**

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**Harmon Releases Audit of Greenup County Sheriff's Tax Settlement**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2022 taxes for Greenup County Sheriff Matt 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 April 16, 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 findings:

**The 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 2020-001. The sheriff's office does not have adequate segregation of duties. The sheriff allowed the bookkeeper to collect taxes, prepare deposits, prepare monthly tax reports, write checks to taxing districts, and reconcile the bank account. There are some reviews of the bookkeeper's work, but not enough documentation of the reviews to determine oversight is in place.

The sheriff has not structured his office in a way that adequately segregates duties among employees and has not provided sufficient oversight of the bookkeeper's work. Inadequate segregation of duties increases the risk of undetected misappropriation of assets or incorrect reporting. Internal controls and proper segregation of duties protects employees in the normal course of performing their daily responsibilities. Good internal controls dictate the same employee should not collect and deposit receipts and also should not process, report, and reconcile disbursements.

We recommend the sheriff's office adequately segregate duties. A proper segregation of duties may not be possible with a limited number of employees, and in that case, the sheriff could take on the responsibility of reviewing the daily deposits, receipts and disbursements ledgers, monthly reports, and bank reconciliations prepared by another employee. These reviews must be documented in a way that indicates what was reviewed, by whom, and when, because signing off on inaccurate information does not provide internal control. The sheriff could also choose to prepare the bank reconciliations and other reports himself.

*Sheriff's Response: I have a surprise cash system and spread sheet where I perform unexpected cash counts of drawers. I approve and review all checks written. We are a small staffed office and I am active in all day to day handling of funds.*

**The sheriff collected tax bills with the incorrect county tangible tax rate:** On August 10, 2021, the fiscal court met and approved the county tangible tax rate at 42.00 for the 2021 tax year. Subsequently, it was determined the county tangible rate of 42.00 that was printed on the tax bills was incorrect. On December 14, 2021, the fiscal court met and corrected the tax rate to 41.02. Once the sheriff became aware of the incorrect rate on the tax bills, he contacted the Department of Revenue for guidance. The Department of Revenue advised the sheriff to publish in the local newspaper a notice of the incorrect tax rate and how to request a refund. On July 21, 2022, the sheriff published a notice in the local newspaper advising taxpayers of the incorrect tax rate and the process for receiving a refund.

The sheriff relied on the county tangible tax rate approved in the fiscal court minutes on August 10, 2021, when deciding to accept the regular tax bills and franchise tax bills from the county clerk for the 2021 tax year. The sheriff collected too much in county tangible taxes from taxpayers because of the incorrect rate on the tax bills. Good internal controls dictate the sheriff should verify the tax rates for all taxing districts before signing the official receipt acknowledging acceptance of the regular tax bills from the county clerk. In addition, the sheriff should verify tax rates before sending franchise tax bills to taxpayers that are prepared and received from the county clerk.

We recommend the sheriff consult with the county attorney and the Department of Revenue to determine the proper handling of the refunds due to taxpayers for the over-collection of county tangible taxes.

*Sheriff's Response: The tangible rate was recorded wrong in the fiscal court minutes. By the time it was discovered collections had already started. We contacted [name redacted] at the Dept of*

*Revenue. We followed his directions verbatim. The rate passed through six people before given to my office. In the future I will confirm the rates and not trust the fiscal court minutes.*

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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