



Auditor of Public Accounts
Mike Harmon

FOR IMMEDIATE RELEASE

Contact: Michael Goins
Michael.Goins@ky.gov
502.564.5841
502.209.2867

Harmon Releases Audit of Hopkins County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2021 taxes for Hopkins County Sheriff Matt Sanderson. 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 Hopkins County Sheriff's tax settlement for 2021 was not accurate: The Hopkins County Sheriff's 2021 tax settlement did not accurately reflect the tax charges and credits associated with the 2021 property tax collection period. The following misstatements were noted:

- Exoneration decreases were overstated by \$199,203.

- Delinquent real estate taxes were understated by \$128,498.
- Taxes paid were overstated by \$78,789.

The sheriff's tax software generates most of the amounts for the sheriff's tax settlement. When sheriff's office personnel pulled the amounts from the software to prepare the settlement, the wrong amounts were pulled for exoneration decreases and delinquent real estate taxes. Internal controls over the preparation of the tax settlement failed to detect these wrong amounts were used, resulting in misstatements.

Taxes paid were overstated because the sheriff's office elected not to reflect refunds for overpayments from various districts on the 2021 tax settlement.

Because of the failure of internal controls and decisions made regarding taxes paid, the sheriff's settlement had significant misstatements that required adjustments to accurately reflect the taxes collected and taxes paid during the 2021 tax collection period. Strong internal controls are essential in ensuring that tax collections and distributions are accurately reported. Such controls should be able to both prevent misstatements before they occur, and detect any misstatements after they occur.

We recommend the sheriff strengthen internal controls over the preparation of the annual tax settlement. Comparisons of amounts on the sheriff's prepared tax settlement to amounts calculated by the tax software can help detect misstatements and prevent misstatements from occurring. Additionally, a thorough review of the tax settlement by an individual not involved in the preparation can also strengthen internal controls and help detect any misstatements that might occur.

Sheriff's Response: The Bookkeeper inadvertently posted the delinquent bills in decrease exon column and the exonerations in the decrease tax column as the labeling on the columns were somewhat confusing. These columns have been relabeled for future settlements with clearer titles.

The Hopkins County Sheriff has weak internal controls over the tax distribution process:

The Hopkins County Sheriff's office overpaid five taxing districts a total of \$247,461 for the month of January 2022. Tax reports for all county-wide tax districts and the Dawson Springs School District were not marked paid in the tax software for the month of December 2021. When January 2022's monthly reports were run, they included the totals from December 2021. This resulted in a significant overpayment of taxes to these five taxing districts. It also resulted in the sheriff's property tax account being overdrawn of funds.

Strong internal controls over the tax collection and distribution process are vital to ensuring that the proper amount of taxes is distributed to the taxing districts.

We recommend the Hopkins County Sheriff strengthen internal controls over the monthly reporting and distribution of taxes. Internal controls such as reconciliations between monthly reports and bank receipts can help ensure the proper amount of taxes are distributed each month.

Sheriff's Response: The Tax Collection Software used in 2021 required the Bookkeeper to acknowledge the distribution report had printed correctly which in turn posted the bills as disbursed in the system. The Bookkeeper failed to answer the question regarding the correct printing in December 2021, therefore the bills did not reflect the disbursement. When the January report reprinted, the Bookkeeper thought the amounts seemed excessive, however, disbursed the collections as stated in the January report. It was not until after the account was overdrawn until the mistake was found.

The Tax Collection Software has changed since that time. The Bookkeeper will have the reports reviewed before disbursing the collections.

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](#).

###

The Auditor of Public Accounts ensures that public resources are protected, accurately valued, properly accounted for, and effectively employed to raise the quality of life of Kentuckians.

Call 1-800-KY-ALERT or visit our website to report suspected waste and abuse.

