



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2021 taxes 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 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 finding:

The Martin County Sheriff's Office does not have 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 over receipts and disbursements. One deputy clerk collects tax payments from customers and prepares daily bank deposits. The bookkeeper prepares monthly tax reports, writes checks for distribution and the sheriff signs the checks. The

bookkeeper posts to the receipts and disbursement ledger and prepares monthly bank reconciliations.

According to the sheriff, due to limited staff and budget the sheriff's office cannot adequately segregate duties. A lack of oversight could result in undetected misappropriation of assets and/or 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. 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 transactions, and monthly bank reconciliations.

We recommend the sheriff's office implement internal controls and segregate duties as much as possible.

Sheriff's Response: Due to a limited budget, we do not have adequate staffing to completely separate all accounting functions. We have worked short for most of the past year, but we just hired another person for the office. When she is fully trained, we should be able to further separate some tasks. The sheriff will continue to review select deposits via the monthly bank reconciliations and monitor expenditures.

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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