



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2018 taxes for Hart County Sheriff Jeff Wilson. 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 January 1, 2019 through April 15, 2019 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 Hart County Sheriff's Office did not deposit collections daily: During the 2018 tax year, the Hart County Sheriff's Office did not deposit receipts daily as indicated by five tested franchise tax deposits taking more than ten business days to clear the bank from the date of the taxpayer issuance. The sheriff did not maintain documentation of the date of receipt of franchise tax payments, and the sheriff batch deposited all franchise payments once per month for the audit

period January 1, 2019 to April 15, 2019. The sum of deposits tested not made daily was \$241,346, which exceeds materiality.

This material deficiency in internal control over the deposit process was allowed to occur because proper controls and oversight over the deposit process was not put in place by the sheriff. The sheriff did not mark the date bills were paid nor retain proof of receipt of payments, such as post-marked envelopes, and only made once monthly deposits for franchise tax payments.

Failure to deposit taxes collected intact or delaying depositing taxes collected increases the risk of fraud and misappropriation of cash. Proper internal controls over the deposit process are important to ensure deposits are made intact daily. KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The minimum requirement for handling public funds as stated in the *County Budget Preparation and State Local Finance Officer Policy Manual* require that deposits be made intact daily into a federally insured banking institution. The sheriff should implement controls and provide appropriate oversight over the deposit process in his office to assure all deposits are made intact daily to the proper account.

We recommend deposits be made intact daily to the correct accounts. We also recommend the sheriff document the date of receipt of all tax payments received through the mail.

Sheriff's Response: In reference to the Sheriff's Office not making deposits indicated by five tested Franchise tax deposits. During the month of January 2019, the deposits were not made on the day that the checks, thus creating a material deficiency and proper control over the deposit process.

Since that time, The Sheriff's Office has become more familiar with the process involved with the Franchise Account. The deposits are being made on the same date as receipt of payment. The deposits are being and payments are being marked as received, dated and marked paid.

Proper internal controls have been established to correct this issue from occurring in the future.

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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