



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2019 taxes for Laurel County Sheriff John Root. 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, 2019 through May 15, 2020 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 Laurel County Sheriff's 2019 tax settlement was materially misstated: The Laurel County Sheriff's 2019 tax settlement was materially misstated due to not including \$510,258 of motel tax collected, \$21,686 of sheriff commissions, and \$488,572 of taxes paid to the fiscal court on the final settlement. The sheriff maintains a motel tax bank account separate from regular property taxes. In prior years, motel tax collections were reported with the sheriff's fee account financial

statement; however, it was recommended that motel tax collections be reported with the sheriff's 2018 tax settlement and for subsequent years.

During tax year 2019, a new tax bookkeeper was hired and left employment with the office prior to the settlement being complete. These factors led to the oversight of motel tax collections not being included on the sheriff's 2019 tax settlement. The sheriff's tax settlement was not an accurate representation of the actual financial activity of the office for the 2019 tax year.

KRS 134.192(11) states, “[i]n counties containing a population of less than seventy thousand (70,000), the sheriff shall file annually with his or her settlement: (a) A complete statement of all funds received by his or her office for official services, showing separately the total income received by his or her office for services rendered, exclusive of his or her commissions for collecting taxes, and the total funds received as commissions for collecting state, county, and school taxes; and (b) A complete statement of all expenditures of his or her office, including his or her salary, compensation of deputies and assistants, and reasonable expenses.” Good internal controls dictate strong oversight over the preparation of the sheriff's tax settlement to ensure all tax collections are included on the settlement.

We recommend the Laurel County Sheriff strengthen internal controls over the settlement and report preparation process and comply with KRS 134.192(11) and ensure motel tax collections, commissions, and taxes paid are included on future settlements.

County Sheriff's Response: The sheriff did not provide a response.

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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