



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2019 taxes for Letcher County Sheriff Mickey Stines. 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 Letcher County Sheriff's tax settlement was not accurate: The sheriff did not prepare a complete and accurate settlement for 2019 tax collections. The franchise charges reported on the settlement were understated by \$887,438. Franchise charges being understated resulted in the sheriff's commission and amounts paid to districts being incorrect as well.

The settlement for 2019 taxes was prepared by a third party for the period October 1, 2019 through May 31, 2020; and therefore, did not include franchise collections for May 2019 and June 2019. Franchise collections for May 2019 were included on the sheriff's settlement for 2018 taxes. These errors occurred due to a lack of internal controls and oversight over financial reporting. The sheriff did not compare his settlement to his records to ensure all financial activity for period was included. As a result, the sheriff's settlement was materially understated. The sheriff's settlement presented to the fiscal court was not an accurate representation of taxes collected and paid.

KRS 134.192(2)(b) states, in part, “[t]he sheriff shall settle his or her accounts with the county, the school district, and any other taxing district for which he or she collects taxes[.]” Further, KRS 134.192(5) states, in part, “[t]he settlement shall show the amount of ad valorem tax collected for the county, the school district, and all taxing districts, and an itemized statement of the money disbursed to or on behalf of the county, the school district, and all taxing districts[.]” In addition, the Kentucky Department of Revenue recommends in the *County Clerk's Office Manual* that franchise tax bills be settled at the same time as regular taxes. Good internal controls dictate the sheriff ensure his settlement is accurate and includes all taxes for the time period.

We recommend the sheriff ensure that future settlements are reviewed for accuracy and include financial activity for the proper time period. Franchise taxes should be settled at the same time as regular taxes each year.

County Sheriff's Response: The sheriff provided no 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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