



Auditor of Public Accounts
Mike Harmon

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

Harmon Releases Audit of Former Martin County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2014 taxes for former Martin County Sheriff Garmon Preece. 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 May 17, 2014 through December 31, 2014 in conformity with the regulatory basis of accounting.

As part of the audit process, the auditor must comment on non-compliance 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 former sheriff's office lacked adequate segregation of duties. While reviewing the former sheriff's internal control procedures, we identified a lack of adequate segregation of duties over receipts and disbursements. These control deficiencies were present because one employee's duties included the collections of taxes, recording taxes paid, preparing monthly tax

reports, preparing monthly tax disbursements, and co-signing monthly tax disbursements. Other office staff also collected tax bills and prepared daily deposits.

In order to achieve a proper segregation of duties, related activities should be assigned to different individuals. Since budget restrictions may limit the number of staff the sheriff can hire, it may not be feasible to segregate accounting duties to different individuals. In this situation, the sheriff should implement compensating controls to mitigate the effects of the lack of adequate segregation of duties. The following compensating controls could have been implemented to offset this internal control weakness:

- The former sheriff could have frequently compared daily bank deposits to the daily tax reports and could have investigated any variances. This review could have been documented with the former sheriff's initials on the daily checkout sheet.
- The former sheriff could have reviewed the monthly tax reports and compared them to the checks written to the taxing districts. This could have been documented with the former sheriff's initials on the monthly reports.
- The former sheriff could have reviewed the monthly bank reconciliations and compared the amounts deposited on the bank statement to the receipts ledger. This could have been documented with the former sheriff's initials on the bank reconciliations.

Former Sheriff's response: Not enough employees.

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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