



Auditor of Public Accounts Allison Ball

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Ball Releases Audit of Marshall County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Allison Ball today released the audit of the sheriff's settlement – 2022 taxes for Marshall County Sheriff Matt Hilbrecht. 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, 2023 through August 31, 2023 in conformity with the regulatory basis of accounting.

The audit contains the following findings:

The Marshall County Sheriff's Office does not have adequate segregation of duties over tax collections: The bookkeeper's primary responsibilities include collecting taxes, preparing deposits, processing monthly tax reports, preparing and signing tax distributions, performing monthly bank reconciliations, and preparing the annual tax settlement. Oversight procedures were not properly documented.

We recommend the sheriff assign some duties to other employees. If this is not feasible, we recommend the sheriff implement compensating controls such as oversight reviews and ensure there is evidence of the reviews performed.

Sheriff's Response: The Marshall County Sheriff's Office Administration Personnel is only made up of two full time employees and two part time employees. With limited staff, it's difficult to completely separate duties. However, we have made actions to segregate the duties between office staff as much as possible. The Sheriff will review all deposits prior to the bank courier picking up the deposit. That will alleviate the front staff any extra duties beyond their assigned duties. These actions have already been executed during the 2023 Property Tax Season and will continue to do so.

The Marshall County Sheriff failed to file a settlement including all taxes collected: The Marshall County Sheriff failed to present an annual franchise tax settlement to the fiscal court for franchise taxes collected for the period January 1, 2023 to August 31, 2023. The total tax collections reported were materially misstated since franchise taxes were omitted from the total tax collections. A franchise tax settlement was presented to the fiscal court after auditors notified the sheriff that there was no documented approval of a franchise tax settlement in the fiscal court minutes.

We recommend that the sheriff present a settlement or settlements for all taxes collected as required by KRS 134.192 in order to properly report all taxes collected and paid. We also recommend that the sheriff determine that all submissions to the fiscal court be recorded in the minutes of the fiscal court meetings.

Sheriff's Response: For the year of 2022 Franchise Tax we had three different Sheriff's to complete settlements for. The Outgoing and Incoming Franchise Settlements were submitted to Fiscal Court at the same time. Due to this year's Franchise having multiple Sheriff's to approve they were unaware there were two different settlements and only signed off on one for the Outgoing Sheriff. We have since already submitted and had approved the Incoming Sheriff Franchise Tax Settlement for January 2023 to April 2023. This was approved by the Fiscal Court on 5/7/24.

The Marshall County Sheriff's tax revenue bond is not in compliance with KRS 134.230: The Marshall County Sheriff secured a tax revenue bond that did not meet the requirements of KRS 134.230 (1)(a). The sheriff's tax revenue bond only was only for the "collection and payment of County Revenue." The tax revenue bond should have been for "all money collected".

We recommend the sheriff contact the bonding company immediately to resolve this issue.

Sheriff's Response: Prior to issuance of the bond, the bond was reviewed by Attorney [name redacted], who advised [insurance company name redacted] that he believed that the wording of the bond sufficed to meet statute. After being notified by the auditor about the working on the bond not being exactly how it needed to be, I consulted with our County Attorney Jason Darnall. The Sheriff's Office does have a current revenue bond; the issue is just with the wording. The County Attorney advised myself that we would still be covered but to reach out to the underwriters of our bond and see about correcting the wording. I have since been in contact with [insurance company name redacted] that wrote our bond and am waiting to hear back.

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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