Auditor of
Public Accounts
Allison Ball

Marshall County Sheriff's
Tax Settlement Audit

FRANKFORT, Ky. – State Auditor Allison Ball today released the audit of the sheriff's settlement 20-- 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 September 1, 2023 through August 31, 2024 in conformity with the regulatory basis of accounting.

Finding: Lacks adequate segregation of duties.

The Marshall County Sheriff's office lacks an adequate segregation of duties over tax collections and distributions. 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. Although some oversight procedures were implemented, detection of misstatements of the settlement were not identified through these procedures.

Recommendations

We recommend the sheriff segregate the duties noted above by allowing different employees to perform these functions. If this is not feasible due to a lack of staff, then the sheriff should continue performing the compensating controls that have been implemented and ensure they are working effectively, including strengthening controls over the preparation of the sheriff's tax settlement. Comparison of amounts on the sheriff's prepared tax settlement to cancelled checks and to reports generated by the tax software system along with supporting documentation, as well as recomputing commissions each month. Additionally, a thorough review of the tax settlement by an individual not involved in preparation can also strengthen internal controls and help detect any misstatements that might occur.

County Officials Response

Sheriff's Response: Our office only consists of two full time clerks, one of those being our Bookkeeper. Segregation of duties is now being conducted to the best of our ability as long as both of our clerks are present. We have already implemented a process where the Sheriff goes over and initials all deposits before going to the bank. These deposits are prepared by our bookkeeper after one of our clerks closes out the payments each day. This has already begun for the 2024 Property Tax Year.

Sheriff's Response: (Continued) The Marshall County Sheriff's office changed taxing software for the 2023 Tax collection period. It was brought to our attention that the commission rates were figured incorrectly. Our 2023 Sheriff's Tax Settlement reflected the collection and distribution of money on the incorrect rate. Our bookkeeper, [name redacted], has already started settling those funds out to the districts and should have this corrected within the next month. The software issue has been reported to our tax software and should be reflected on the next tax year. We have been advised that this problem occurred throughout the state with other Sheriff Offices who utilized the tax software [software name redacted].

Finding: Is not in compliance with state regulations.

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 was only for the "collection and payment of County Revenue." The tax revenue bond should have been for "all money collected."

Recommendations

We recommend the sheriff continue to communicate with fiscal court, the county attorney, and the bonding company to help resolve this issue.

County Officials Response

Sheriff's Response: After the 2023 Tax Audit when we were notified about the bond issue, we notified our bond company as well as our County Attorney. The bond company advised us that they could not correct the bond and the current bond was bonded for my entire term. Our County Attorney reviewed our bond and advised me that from what he understands we would be covered on our bonding. We are currently still working on figuring out a solution to this issue so that next Tax Audit we will have a resolution.

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.