



Auditor of Public Accounts
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Edelen Releases Audit of Green County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Adam Edelen today released the audit of the sheriff's settlement – 2014 taxes for Green County Sheriff Robert Beard. 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.

Recent changes in auditing standards require the auditor's letter to communicate whether the sheriff's settlement presents fairly the taxes charged, credited and paid of the Green County Sheriff in accordance with generally accepted accounting principles in the United States. 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 audit found that the sheriff's financial statement fairly presents the taxes charged, credited and paid, for the period, April 16, 2014 through April 15, 2015 in conformity with the modified cash 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 comments:

The Sheriff's office lacks adequate segregation of duties over receipts and disbursements.

The Sheriff's office has a lack of segregation of duties over receipts and disbursements. The Sheriff's bookkeeper collects payments from customers and prepares the daily tax collection journals, the monthly tax reports, and the deposits. The bookkeeper also takes the deposits to the

bank, prepares checks for payment to districts, and signs the checks. No oversight was performed over any of these functions.

The lack of segregation occurs because the Sheriff failed to segregate incompatible duties or implement oversight duties when duties cannot be segregated. Lack of segregation of duties increases the risk of misappropriation of assets, errors, and inaccurate financial reporting.

Segregation of duties over collecting taxes, preparing daily deposits, preparing monthly reports, and preparing disbursements is essential for providing protection from asset misappropriation and/or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

The Sheriff should separate the duties of collecting taxes, preparing daily deposits, preparing and mailing disbursements, and preparing financial reports. If these duties cannot be segregated due to a limited number of staff or a limited budget, then strong oversight should be provided to the employee responsible for these duties. The Sheriff should document these compensating controls by initialing the source documents and requiring two signatures on checks with one being the Sheriff.

Sheriff's response: No response.

The Sheriff did not deposit funds intact on a daily basis. The Sheriff did not prepare and print daily tax collection reports and make deposits daily. Based on the bank statement, only four deposits were made during the month of February. On the date tested, the tax collection report included five days of tax receipts. Tax receipts are not entered into the tax software at the time of collection. Deputies maintain copies of paid tax bills and payment for the bookkeeper to enter when he prepares the deposit. The deficiency in internal control over the deposit process was allowed to occur because proper controls and oversight were not put in place by the Sheriff. Failure to deposit taxes collected intact daily increases the risk of fraud and misappropriation of cash. This is a non-compliance with KRS 68.210 and 109 KAR 15:020. KRS 68.210 states the State Local Finance Officer “shall prescribe and shall install, by July 1, 1985, a system of uniform accounts for all counties and county officials.” The *Instructional Guide for County Budget Preparation and State Local Finance Officer Policy Manual*, under “Handling Public Funds,” states a minimum requirement of “Daily deposits intact into a federally insured banking institution.” We recommend the Sheriff implement procedures to ensure tax receipts are entered into the tax software at the time of collection. The Sheriff should then prepare daily collection reports and deposit these receipts intact on a daily basis.

Sheriff's response: 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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