



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement-2014 taxes for former Monroe County Sheriff Roger Barlow. 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, 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 comments:

The former sheriff should have deposited all funds intact on a daily basis. During our review of receipts, it was noted that the former Sheriff did not deposit funds collected for regular taxes on December 10, 2014 until December 16, 2014. In addition, three payments for franchise taxes received in January 2014, and two franchise payments received in July and August 2014 were not deposited and paid to the taxing districts until November 2014. All franchise payments

received during the month of December 2014 were not deposited until January 2, 2015. This is in non-compliance with KRS 68.210, 109 KAR 15:020, and KRS 134.191. 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.” KRS 134.191 requires the sheriff to report and pay all taxes collected to the state, county, and other taxing districts by the 10th of the month. The sooner cash/checks are deposited, the less exposure to theft or loss of funds.

Former Sheriff’s response: The former Sheriff did not respond.

The former sheriff’s office lacked adequate segregation of duties over receipts and disbursements. The former sheriff’s office lacked adequate segregation of duties over receipts and disbursements. The former sheriff’s bookkeepers collected payments from customers and prepared daily collection reports, deposits, and monthly tax reports. Upon preparation of the monthly reports, the bookkeepers prepared and signed the checks. They also prepared the monthly bank reconciliations.

Lack of oversight could have resulted in undetected misappropriation of assets and/or inaccurate financial reporting to external agencies such as the Department of Revenue and other taxing districts.

Adequate segregation of duties would have prevented the same person from having a significant role in the process and recording of receipts and disbursements. The former sheriff should have offset the lack of segregation of duties by implementing compensating controls such as periodically performing surprise cash counts, reviewing the bank reconciliations, and comparing the daily deposits to the daily collection report and the receipts ledger, reconciling any differences. In addition, the former sheriff could have compared the monthly reports to the receipts and disbursements ledgers for accuracy. Compensating controls should have been documented by initialing and dating the bank reconciliations, bank deposits, daily collection reports, receipts and disbursements ledgers, and monthly tax reports.

Former Sheriff’s response: The former Sheriff did not respond.

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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