



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

FRANKFORT, Ky. – State Auditor Adam Edelen today released the audit of the sheriff's settlement – 2014 taxes for Pendleton County Sheriff Charles Peoples. 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 Pendleton 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 comment:

The Sheriff's office lacks adequate segregation of duties over tax receipts and disbursements. The Sheriff's office lacks adequate segregation of duties. The employee responsible for handling tax receipts also records the receipts in the ledger, prepares the bank deposits, and performs monthly bank reconciliations. In addition, this same employee prepares the disbursement checks and is also responsible for preparing the monthly reports which

documents the amount to be paid to each district. By the same employee performing these functions, the risk that errors or fraud may go undetected increases. Lack of segregation of duties could result in misappropriation of assets and/or inaccurate financial reporting to external agencies such as the Department of Revenue, which could occur and go undetected. This condition is a result of a limited budget, which restricts the number of employees the Sheriff can hire or delegate duties to.

The segregation of duties over various accounting functions such as opening mail, preparing deposits, recording receipts and disbursements, and preparing monthly reports, or the implementation of compensating controls 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 involved in receiving cash, preparing deposits, writing checks, posting to ledgers, preparing monthly bank reconciliations and comparing financial reports to ledgers. If due to a limited budget, this is not feasible, cross checking procedures could be implemented and documented by the individual performing the procedure.

Sheriff's response: None.

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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