



Auditor of Public Accounts  
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**FOR IMMEDIATE RELEASE**

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### **Harmon Releases Audit of Rockcastle County Sheriff's Tax Settlement**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the sheriff's settlement-2014 taxes for Rockcastle County Sheriff Michael E. Peters. 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 April 15, 2015 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 comment:

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

The sheriff's office lacks adequate segregation of duties over receipts and disbursements. During our review of internal controls, we noted the sheriff employs two bookkeepers. One bookkeeper is responsible for opening mail, writing checks and has signature authority. The second bookkeeper, who is part-time, is responsible for posting receipts and disbursements to the

receipts and disbursements ledgers, as well as preparing the bank reconciliation. Both bookkeepers collect receipts, prepare bank deposits, prepare the daily tax report and can initiate voided transactions in the computerized tax system.

Adequate segregation of duties ensures internal controls are properly segregated. When adequate segregation of duties cannot be accomplished due to budget constraints and limited staff, the sheriff should implement strong compensating controls to offset this weakness. 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 responsibilities. The lack of proper segregation of duties or compensating controls could result in the undetected misappropriation of assets and/or inaccurate financial reporting.

We recommend the sheriff implement and document the following compensating controls:

- The sheriff should recount cash and agree back to the deposit ticket. The sheriff should document this by initialing the deposit ticket.
- The sheriff should perform surprise cash counts.
- The sheriff should compare monthly reports to the receipt and disbursement ledgers as well as the bank reconciliations. The sheriff should document this by initialing the receipt and disbursement ledgers along with the bank reconciliations.
- The sheriff should reconcile the daily tax report to the daily deposit. The sheriff should document this by initialing the daily tax report and the daily deposit ticket.
- If a void is required, the reason of the void should be included on the tax bill in the computerized tax system. In addition, all voids should be maintained with supporting documentation. The void, along with the supporting documentation, should be approved by the sheriff. The sheriff should compare the void to a monthly voided report generated by the computerized tax system.
- The sheriff should reconcile daily tax reports to the monthly tax report, receipt ledger and bank statement. The sheriff should document this by initialing the daily tax report, receipt ledger and bank statement.
- The sheriff should receive the bank statements unopened, and review the statements for any unusual items prior to giving them to the bookkeeper for reconciliation.

*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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