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Harmon Releases Audit of Former Greenup County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2016 taxes for former Greenup County Sheriff Keith Cooper. 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 former sheriff's settlement presents fairly the taxes charged, credited and paid in accordance with accounting principles generally accepted in the United States of America for the period April 16, 2016 through April 17, 2017. Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Audit Guide for Sheriff's Tax Settlements*, issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Because of the matters described in the Basis for Disclaimer of Opinion paragraph; however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

Our basis for disclaiming is that we were unable to obtain required written management representations from the former Greenup County Sheriff, which results in a management-imposed scope limitation. Management is required to provide written representations to assert that they have fulfilled their responsibility for the preparation and fair presentation of the financial statements and that the information provided to the auditor is complete. Due to the former Greenup County Sheriff not providing written representations, we were unable to place appropriate reliance on the information provided during the audit and, therefore, cannot reduce the audit risk to an acceptable level.

As part of the audit process, the auditor must comment on noncompliance 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 did not collect receivables or pay liabilities for the 2014 tax year: This is a repeat finding that was included in the prior year audit report as Finding 2015-001. The former sheriff did not collect receivables and pay liabilities as determined by the audit of the 2014 tax year. The former sheriff paid some of the liabilities with funds that were already in the account, and resolved some liabilities through the 2016 tax account. However, the payments the former sheriff made from the 2016 account do not agree with our amounts owed from our 2014 tax audit, and in fact the former sheriff now appears to have overpaid the Load VFD. As a result, the following amounts remain unresolved as of the end of the 2016 tax year.

Receivables		Liabilities	
Load VFD	\$ 852	County	\$ 62
Maloneton VFD	967	Common School	914
		Little Sandy VFD	69

Furthermore, the ending account balance of \$774 was to be escrowed upon resolution of the above items and this has not occurred.

The former sheriff has not ensured recommendations from the prior year audit were followed. Because the former sheriff did not collect the amounts due, he has not been able to pay the amounts owed to taxing districts. By not collecting these receivables and paying these liabilities timely, entities have been deprived of funds owed to them. By not following the recommended collection and payment schedule per the 2014 audit, it is more difficult to determine the amounts that need to be collected and paid. KRS 64.820 states: “The fiscal court shall collect any amount due the county from county officials as determined by the audit of the official conducted pursuant to KRS 43.070 and 64.810 if the amount can be collected without suit.” KRS 393.090 and KRS 393.110 require unclaimed account balances to be escrowed for three years, after which, if unclaimed, they are considered abandoned and sent to the State Treasurer. We recommend the sheriff take the necessary action to collect the receivables that will enable him to pay the remaining liabilities of the 2014 tax account as listed above. Once this is completed, the remaining account balance should be escrowed for three years then, if unclaimed, turned over to the state as unclaimed property.

Former Sheriff’s Response: The former sheriff did not provide a response.

The former sheriff did not collect receivables or pay liabilities for the 2013, 2012, 2011, and 2010 Tax Years: This is repeat finding that was included in the prior audit year as Finding 2015-002. The former sheriff did not collect receivables and pay liabilities as determined by audits for the 2013, 2012, 2011, and 2010 tax years. The former sheriff had previously paid some of the liabilities. The former sheriff attempted to resolve some of the remaining liabilities by netting them with other years. The following cumulative amounts remain unresolved at the end of the 2016 tax year:

Receivables		Liabilities	
Common School	\$ 5,566	County	\$ 2,591
Wurtland VFD	201		
South Shore VFD	171		
Lloyd VFD	221		
Little Sandy VFD	896		
City of Wurtland	1,006		
City of Raceland	367		

Furthermore, the ending cumulative surplus of \$5,837 was to be escrowed upon resolution of the above items and this has not occurred.

The former sheriff did not ensure recommendations from prior years' audits were followed. Because the former sheriff did not collect the amounts due, he has not been able to pay the amounts owed to taxing districts. By not collecting these receivables and paying these liabilities timely, entities have been deprived of funds owed to them. By not following the recommended collection and payment schedules per the 2013, 2012, 2011, and 2010 audits, it is more difficult to determine the amounts that need to be collected and paid. KRS 64.820 states: "The fiscal court shall collect any amount due the county from county officials as determined by the audit of the official conducted pursuant to KRS 43.070 and 64.810 if the amount can be collected without suit.". KRS 393.090 and KRS 393.110 require unclaimed account balances to be escrowed for three years, after which, if unclaimed, they are considered abandoned and sent to the State Treasurer. We recommend the former sheriff take the necessary action to collect the cumulative receivables that will enable him to pay the remaining cumulative liabilities of the 2013, 2012, 2011, and 2010 tax accounts as listed above. Once this is completed, the remaining accounts balance should be escrowed for three years then, if unclaimed, turned over to the state as unclaimed property.

Former Sheriff's Response: The former sheriff did not provide a response.

The former sheriff's office lacked adequate segregation of duties: This is a repeat finding and was included in the prior year audit report as Finding 2015-003. The former sheriff's office lacked adequate segregation of duties. The former sheriff's office allowed the bookkeeper to collect taxes, prepare deposits, prepare monthly tax reports, write checks to taxing districts, and reconcile the bank account. There were some reviews of the bookkeeper's work, but not enough documentation of the reviews to determine oversight was in place. The former sheriff did not structure his office in a way that adequately segregated duties among employees, and did not provide sufficient oversight of the bookkeeper's work. Inadequate segregation of duties increases the risk of undetected misappropriation of assets or incorrect reporting. Internal controls and proper segregation of duties protect employees in the normal course of performing their daily responsibilities. Good internal controls dictate the same employee should not collect and deposit receipts and also should not process, report, and reconcile disbursements. We recommend the sheriff's office adequately segregate duties. A proper segregation of duties may not be possible with a limited number of employees, and in that case, the sheriff could take on the responsibility of reviewing the daily deposits, receipts and disbursements ledgers, monthly reports, and bank reconciliations prepared by another employee. These reviews must be documented in a way that

indicates what was reviewed, by whom, and when, because signing off on inaccurate information does not provide internal control. The sheriff could also choose to prepare the bank reconciliations and other reports himself.

Former Sheriff's Response: The former sheriff did not provide a 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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