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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 – 2018 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. The former sheriff's settlement is prepared on the regulatory basis, which is described in the auditor's opinion letter. Regulatory basis reporting for the former sheriff's settlement is an acceptable reporting methodology, and this reporting methodology is followed for all 120 sheriff settlements in Kentucky.

The former sheriff's financial statement fairly presents the taxes charged, credited and paid for the period April 17, 2018 through December 31, 2018 in conformity with the regulatory basis of accounting.

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 comment:

The former sheriff did not collect receivables or pay liabilities of the 2017 tax year: The former sheriff did not collect receivables or pay liabilities as determined by the audit of the 2017 tax year. As a result, the following amounts remain unresolved as of the former sheriff's retirement on December 31, 2018:

<u>Receivables</u>			<u>Liabilities</u>		
Common School	\$	53	County	\$	42
Maloneton Fire		44	Raceland School		65
Franchise Taxpayers -			Russell School		29
Extension Rate Error		210	Library		14
Franchise Taxpayers -			Extension		263
Ambulance Rate Error		12	Ambulance		15
			Owed to Fee Account		150

Additionally, the current bank balance is \$761. Once the receivables are collected and the liabilities are paid the ending account balance will be \$502, which was to be paid to the county treasurer upon resolution of the above items, and this has not occurred.

By not collecting these receivables and paying these liabilities timely, entities have been deprived of funds owed to them. If the franchise bill errors had been caught before the bills were sent, the extension and ambulance districts would have received the amounts owed to them timely.

KRS 134.192 requires the sheriff to annually settle his accounts and pay to the county treasurer all money that remains as a result of the tax settlement.

The receivable from Maloneton Fire was caused by an overpayment on the November 2017 monthly report. The receivable and liability for the extension district was the result of an incorrect tax rate being used on the 2015 franchise tax bills. The receivable and liability for the ambulance district was the result of an incorrect tax rate being used on a 2016 franchise tax bill. The bills are prepared by the county clerk's office, but the former sheriff's office personnel failed to verify the tax rates were correct prior to sending out the bills.

The amount owed to the fee account is to repay the cash drawer start-up funds, less bank charges for checks ordered. The causes of the receivable from the common school and the liabilities to the county, Raceland School and Russell School districts were not determined.

We recommend the former sheriff take the necessary actions to collect the receivables that will enable him to pay the remaining liabilities of the 2017 tax account as listed above. Once this is completed, the remaining account balance of \$502 should be paid to the county treasurer.

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

The former sheriff did not collect receivables or pay liabilities of the 2016 tax year: This is a repeat finding that was included in the prior year audit report as Finding 2017-001.

The former sheriff did not collect receivables or pay liabilities as determined by the audit of the 2016 tax year. As a result, the following amounts remain unresolved as of the former sheriff's retirement on December 31, 2018:

<u>Receivables</u>			<u>Liabilities</u>		
Raceland School	\$	33	County	\$	314
Russell School		23	Common School		540

Commission Overpayment		Library	35
From Fee Account	247	Extension	265
Franchise Taxpayers –		Ambulance	84
Extension Error	270		
Franchise Taxpayers-			
Ambulance Error	86		

The bank account balance is \$642. Once these items are collected and paid, the ending bank balance will be \$64, which was to be paid to the county treasurer upon resolution of the above items and this has not occurred.

By not collecting these receivables and paying these liabilities timely, entities have been deprived of funds owed to them. If the franchise bill errors had been caught before the bills were sent, the extension and ambulance districts would have received the amounts owed to them timely.

KRS 134.192 requires the sheriff to annually settle his accounts and pay to the county treasurer all money that remains as a result of the tax settlement.

The \$265 owed to the extension district was the result of an incorrect tax rate being used on the 2015 franchise tax bills. The \$84 owed to the ambulance district was the result of an incorrect tax rate being used on the 2016 franchise tax bills. The bills are prepared by the county clerk’s office, but the former sheriff’s office personnel failed to verify the tax rates were correct prior to sending out the bills. The commission overpayment and amount underpaid to the county were the result of a computer computation error on the October monthly reports that also was not detected by the former sheriff’s office personnel. The causes of the overpayment to the Raceland and Russell school districts and underpayment to common school and library districts were not determined.

We recommend the former sheriff take the necessary actions to collect the receivables that will enable him to pay the remaining liabilities of the 2016 tax account as listed above. Once this is completed, the remaining account balance of \$64 should be paid to the county treasurer.

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

The former sheriff did not collect receivables or pay liabilities of the 2014 tax year: This is a repeat finding that was included in the prior year audit report as Finding 2017-002.

The former sheriff did not collect receivables or pay liabilities as determined by the audit of the 2014 tax year. As a result, the following amounts remain unresolved as of the former sheriff’s retirement on December 31, 2018:

<u>Receivables</u>		<u>Liabilities</u>	
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 paid to the county treasurer upon resolution of the above items and this has not occurred.

By not collecting these receivables and paying these liabilities timely, entities have been deprived of funds owed to them. 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 134.192 requires the sheriff to annually settle his accounts and pay to the county treasurer all money that remains as a result of the tax settlement.

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.

We recommend the former 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 paid to the county treasurer.

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

The former sheriff did not collect receivables or pay liabilities of the 2013, 2012, 2011, and 2010 tax years: This is repeat finding that was included in the prior year as Finding 2017-003.

The former sheriff did not collect receivables or 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 and attempted to resolve some of the remaining liabilities by netting them with other years. As a result, the following amounts remain unresolved as of the former sheriff's retirement on December 31, 2018:

<u>Receivables</u>		<u>Liabilities</u>	
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 paid to the county treasurer upon resolution of the above items and this has not occurred.

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 134.192 requires the sheriff to annually settle his accounts and pay to the county treasurer all money that remains as a result of the tax settlement.

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.

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 account balance of \$5,837 should be paid to the county treasurer.

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 report as Finding 2017-004.

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.

Proper segregation of duties over collecting taxes, preparing daily tax collection journals, preparing monthly reports, preparing deposits, and preparing disbursements is essential protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the course of performing their daily responsibilities.

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.

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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