

**REPORT OF THE AUDIT OF THE  
FLEMING COUNTY  
SHERIFF'S SETTLEMENT - 2015 TAXES**

**For The Period  
April 16, 2015 Through April 15, 2016**



**MIKE HARMON  
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**EXECUTIVE SUMMARY**  
**AUDIT OF THE**  
**FLEMING COUNTY**  
**SHERIFF'S SETTLEMENT - 2015 TAXES**

**For The Period**  
**April 16, 2015 Through April 15, 2016**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2015 Taxes for the Fleming County Sheriff for the period April 16, 2015 through April 15, 2016. We have issued an unmodified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The sheriff collected 2015 taxes of \$5,427,647 for the districts, retaining commissions of \$206,773 to operate the sheriff's office. The sheriff distributed 2015 taxes of \$5,219,375 to the districts. Refunds of \$9,008 are due to the sheriff from the taxing districts.

**Report Comments:**

- 2015-001 The Sheriff Did Not Report And Pay Monthly Taxes To Districts Timely
- 2015-002 The Sheriff's Settlement Presented To The Fiscal Court Was Inaccurate
- 2015-003 The Sheriff Did Not Pay The Correct Amount Of Commissions Or Add-On Fees
- 2015-004 The Sheriff's Office Lacks Internal Controls Over Tax Receipts And Disbursements

**Deposits:**

The sheriff's deposits were insured and collateralized by bank securities.



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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Matthew G. Bevin, Governor  
William M. Landrum III, Secretary  
Finance and Administration Cabinet  
Honorable Larry Foxworthy, Fleming County Judge/Executive  
Honorable Gary Kinder, Fleming County Sheriff  
Members of the Fleming County Fiscal Court

Independent Auditor's Report

**Report on the Financial Statement**

We have audited the Fleming County Sheriff's Settlement - 2015 Taxes for the period April 16, 2015 through April 15, 2016 - Regulatory Basis, and the related notes to the financial statement.

**Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



To the People of Kentucky  
Honorable Matthew G. Bevin, Governor  
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### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1 of the financial statement, the financial statement is prepared by the Fleming County Sheriff on the basis of accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the taxes charged, credited, and paid of the Fleming County Sheriff, for the period April 16, 2015 through April 15, 2016.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the taxes charged, credited, and paid for the period April 16, 2015 through April 15, 2016 of the Fleming County Sheriff, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2017 on our consideration of the Fleming County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fleming County Sheriff's internal control over financial reporting and compliance.



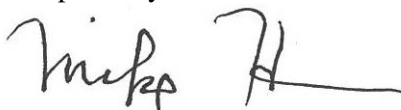
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Members of the Fleming County Fiscal Court

**Other Reporting Required by *Government Auditing Standards* (Continued)**

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2015-001 The Sheriff Did Not Report And Pay Taxes To Districts Timely
- 2015-002 The Sheriff's Settlement Presented To The Fiscal Court Was Inaccurate
- 2015-003 The Sheriff Did Not Pay The Correct Amount Of Commissions Or Add-On Fees
- 2015-004 The Sheriff's Office Lacks Internal Controls Over Tax Receipts And Disbursements

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

April 5, 2017

FLEMING COUNTY  
GARY KINDER, SHERIFF  
SHERIFF'S SETTLEMENT - 2015 TAXES

For The Period April 16, 2015 Through April 15, 2016

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 786,010	\$ 1,185,951	\$ 2,151,701	\$ 599,332
Tangible Personal Property	65,641	111,713	179,274	135,282
Fire Protection	1,043			
Franchise Taxes - Billed	76,134	125,165	207,828	
Limestone, Sand and Gravel Reserves	205	307	562	157
Penalties	4,555	6,916	12,451	3,553
Adjusted to Sheriff's Receipt	261	(4)	2	(2)
Gross Chargeable to Sheriff	<u>933,849</u>	<u>1,430,048</u>	<u>2,551,818</u>	<u>738,322</u>
 <u>Credits</u>				
Exonerations	3,542	5,291	9,697	2,701
Discounts	12,676	19,301	34,638	11,207
Delinquents:				
Real Estate	21,034	32,015	57,523	16,022
Tangible Personal Property	94	159	256	234
Total Credits	<u>37,346</u>	<u>56,766</u>	<u>102,114</u>	<u>30,164</u>
Taxes Collected	896,503	1,373,282	2,449,704	708,158
Less: Commissions *	<u>38,101</u>	<u>57,735</u>	<u>80,840</u>	<u>30,097</u>
Taxes Due	858,402	1,315,547	2,368,864	678,061
Taxes Paid	856,960	1,313,460	2,372,052	676,903
Refunds (Current and Prior Year)	<u>1,800</u>	<u>2,568</u>	<u>4,767</u>	<u>1,372</u>
(Refunds Due Sheriff) as of Completion of Audit	<u>\$ (358)</u>	<u>\$ (481)</u>	<u>\$ (7,955)</u>	<u>\$ (214)</u>

\*\*

\* and \*\* See next page.

The accompanying notes are an integral part of this financial statement.

FLEMING COUNTY  
 GARY KINDER, SHERIFF  
 SHERIFF'S SETTLEMENT - 2015 TAXES  
 For The Period April 16, 2015 Through April 15, 2016  
 (Continued)

\* Commissions:

4.25% on	\$	2,726,158
4% on	\$	251,785
3.3% on	\$	2,449,704

\*\* Special Taxing Districts:

Library District	\$	(167)
Health District		(76)
Extension District		(94)
Ambulance District		(101)
Soil Conservation District		<u>(43)</u>
 (Refunds Due Sheriff)	\$	<u>(481)</u>

FLEMING COUNTY  
NOTES TO FINANCIAL STATEMENT

April 15, 2016

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

KRS 66.480 authorizes the sheriff's office to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Fleming County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the sheriff's deposits may not be returned. The Fleming County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of April 15, 2016, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

FLEMING COUNTY  
NOTES TO FINANCIAL STATEMENT  
April 15, 2016  
(Continued)

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2015. Property taxes were billed to finance governmental services for the fiscal year ended June 30, 2016. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 30, 2015 through April 15, 2016.

Note 4. Interest Income

The Fleming County Sheriff earned \$675 as interest income on 2015 taxes. The sheriff was in substantial compliance with his statutory responsibilities.

Note 5. Sheriff's 10% Add-On Fee

The Fleming County Sheriff collected \$24,187 of 10% add-on fees allowed by KRS 134.119(7). As of April 5, 2017, the sheriff owed \$7,830 in 10% add-on fees to his fee account.

Note 6. Unrefundable Duplicate Payments And Unexplained Receipts

The former sheriff deposited unrefundable duplicate payments and unexplained receipts in an interest-bearing account that is now maintained by the current sheriff. The sheriff's escrowed amount was as follows:

2011	\$140
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KRS 393.090 states that after three years, if the funds have not been claimed, they are presumed abandoned. Abandoned funds are required to be sent to the Kentucky State Treasurer pursuant to KRS 393.110 and its accompanying regulations.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*







**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Larry Foxworthy, Fleming County Judge/Executive  
Honorable Gary Kinder, Fleming County Sheriff  
Members of the Fleming County Fiscal Court

Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Fleming County Sheriff's Settlement - 2015 Taxes for the period April 16, 2015 through April 15, 2016 - Regulatory Basis and the related notes to the financial statement and have issued our report thereon dated April 5, 2017. The Fleming County Sheriff's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Fleming County Sheriff's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Fleming County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fleming County Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying comments and recommendations as item 2015-004 to be a material weakness.



Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With *Government Auditing Standards*  
(Continued)

**Internal Control Over Financial Reporting (Continued)**

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying comments and recommendations as items 2015-002 and 2015-003 to be significant deficiencies.

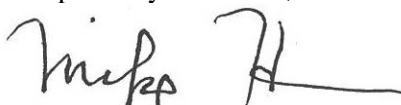
**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Fleming County Sheriff's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying comments and recommendations as item 2015-001.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

April 5, 2017

COMMENTS AND RECOMMENDATIONS



FLEMING COUNTY  
GARY KINDER, SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Period April 16, 2015 Through April 15, 2016

STATE LAWS AND REGULATIONS:

2015-001 The Sheriff Did Not Report and Pay Monthly Taxes To Districts Timely

The sheriff's monthly tax reports and payments were often late, depriving the taxing districts of timely receipt of their tax collections.

The following table illustrates when regular tax payments were made:

Month	Total Taxes Due Districts	Date Payments Due Districts	Check Dates	Dates Checks Cleared Bank
November (School only)	\$ 180,299	12/10/15	12/17/15	12/22/15
December	\$ 544,881	1/10/16	1/13/16	1/15/16 - 1/29/16
January	\$ 153,064	2/10/16	2/12/16	2/16/16 - 3/2/16
February	\$ 87,436	3/10/16	3/16/16	3/30/16 - 5/2/16

The following table illustrates when franchise tax payments were made:

Month	Total Taxes Due Districts	Date Due	Check Dates	Dates Checks Cleared Bank
May	\$ 100	6/10/2015	9/30/2015	11/9/15 - 11/17/15
June	\$ 21,995	7/10/2015	9/30/2015	11/9/15 - 11/17/15
September	\$ 516	10/10/2015	None	N/A
November	\$ 59,437	12/10/2015	12/17/2015	12/21/15 - 12/23/15
January	\$ 86,925	2/10/2016	2/12/2016	2/16/16 - 2/22/16

The sheriff did not ensure his office complied with the requirement to report and pay taxes collected to districts by the tenth of each month. Also, rather than mailing payments to the taxing districts, an employee of the sheriff's office delivers the payments. It appears from the sheriff's records that the delivery date is often later than the day the reports were prepared, causing the receipt of payments by the districts to be further delayed. Taxing districts rely on tax collections to fund a significant portion of their budgeted services. Not receiving these payments timely can lead to cash flow problems for taxing districts.

As indicated in the tables, some payments were over a week late, and one month of franchise tax collections was not paid. The tables also indicate the May and June franchise checks, although written on September 30, 2015, appeared to have not been delivered until November 2015. While the sheriff cannot control when districts deposit their checks, he can control when he distributes the checks. KRS 134.191 requires the sheriff to provide monthly reports by the tenth day of each month. KRS 134.191(4) states "[a]ny sheriff failing to pay over taxes collected as required by law shall be subject to a penalty of one percent (1%) for each thirty (30) day period or fraction thereof that the payment is not made, plus interest. . ." Furthermore, the governing body of a county or taxing district shall charge the sheriff with penalties and interest. The county judge/executive may grant an extension of time, not to exceed fifteen (15) days, for filing the monthly reports. Penalties and interest would be suspended during an extension, but would apply at the expiration of the extension.

FLEMING COUNTY  
GARY KINDER, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Period April 16, 2015 Through April 15, 2016  
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

2015-001 The Sheriff Did Not Report and Pay Monthly Taxes To Districts Timely (Continued)

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We recommend the sheriff ensure monthly tax reports are prepared and paid by the tenth of each month. There should be monthly reports for any month that regular or franchise taxes are collected. We also recommend the sheriff consider mailing tax collection payments to the districts. As long as the payments are postmarked by the tenth of the month, the sheriff is in compliance with KRS 134.191. This would also give the districts a more consistent timeframe in which to expect their payments.

*Sheriff's Response: No response.*

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES:

2016-002 The Sheriff's 2015 Tax Settlement Presented To The Fiscal Court Was Misstated

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The sheriff's 2015 tax settlement was misstated, as it contained five significant reporting errors. The settlement presented to fiscal court contained the following errors:

- Two refunds were included as both exonerations and refunds - \$707;
- An overstated amount of commission returned by the school - \$6,433;
- May 2016 monthly report payments were not included in total payments - \$2,264;
- Delinquent tangible tax was included in delinquent real estate tax for all districts other than the state - \$508; and
- May 2015 and June 2015 franchise tax collections, commissions and payments were not included - \$22,958, \$863, and \$22,095, respectively.

The sheriff's 2015 tax settlement presented to the fiscal court was inaccurate, and could be misleading to users of the information. If taxing districts and the sheriff do not receive the correct amount of taxes and commissions, their budgets can be negatively impacted. While these errors can be corrected during the audit, typically there is a significant amount of time that passes before that occurs, which could create budgeting difficulties for those agencies.

The sheriff's tax settlement provides important financial information to the fiscal court and the taxing districts, and therefore should be as accurate as possible when presented to the fiscal court. In order to present the most accurate information possible to the public, the sheriff should implement procedures for determining the accuracy of the tax settlement before it is presented to the fiscal court.

*Sheriff's Response: No response.*

FLEMING COUNTY  
GARY KINDER, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Period April 16, 2015 Through April 15, 2016  
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES: (Continued)

2015-003 The Sheriff Did Not Pay The Correct Amount Of Commissions Or Add-On Fees

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The sheriff did not pay the correct amount of commissions to the 2015 fee account and add-on fees to the 2016 fee account. The sheriff did not have procedures in place to ensure the December 2015 commissions had been returned by the school and deposited to the 2015 fee account. The sheriff did not have procedures in place to ensure February 2016 add-on fees were paid and deposited to the 2016 fee account. The sheriff's 2015 tax account is owed \$8,831 in commissions. The sheriff's 2016 fee account is owed \$7,830 in add-on fees. The sheriff's 2015 and 2016 fee accounts had to borrow funds to operate and the fiscal court contributes funds to the sheriff's office to repay borrowed funds. If these payments had been made to the respective fee accounts timely, the sheriff could have reduced the amounts borrowed and the fiscal court could have reduced its contributions. KRS 160.510 requires the sheriff's monthly payment to the school to include the sheriff's commission, which is later returned by the school.

Auditors compared commissions paid to the school with deposits from the school to the fee account, and found that the December 2015 commission was not returned. KRS 134.119(7) entitles the sheriff to additional (add-on) fees of twenty-one percent (21%). They are collected during the ten percent (10%) penalty collection months, usually February, March, and April, and should be paid to the fee account for any month they are collected. Auditors compared add-on fees collected per monthly reports to the checks written to the sheriff's fee account, and found that no check was written for February 2016. We recommend the sheriff establish procedures to ensure the commission paid to the school is returned each month. We also recommend the sheriff establish procedures to ensure add-on fees are paid for each month they are collected. Making payments timely will improve the cash flow for the fee account.

*Sheriff's Response: No response.*

INTERNAL CONTROL - MATERIAL WEAKNESS:

2015-004 The Sheriff's Office Lacks Adequate Segregation of Duties And Internal Controls Over Tax Receipts And Disbursements

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The sheriff's office lacks adequate segregation of duties and internal controls over tax receipts and disbursements. The bookkeeper, deputy clerk, and occasionally the sheriff, all collect tax receipts. The bookkeeper and deputy clerk each prepare a daily bank deposit and reconcile the daily receipts to the daily collection report, and post items to the receipts ledger. There are initials on the deposit ticket, but no explanation of which initials are the preparer, and which belong to the reviewer. The bookkeeper prepares the month-end tax reports. The bookkeeper prepares checks for tax distribution based on the month-end tax reports, and posts checks to the disbursements ledger. The bookkeeper signs the majority of tax distribution checks, with the sheriff signing only occasionally. Only one signature is required on the checks. The bookkeeper prepares the monthly bank reconciliation, although there is nothing documented to determine who prepared the reconciliation or that it was reviewed. Also, the reconciliation is only a re-statement of bank activity, and is not reconciled to the receipts ledger, disbursements ledger, or monthly financial statements. Reporting errors would have been found on a monthly basis if a true reconciliation had been performed by the sheriff's office.

FLEMING COUNTY  
GARY KINDER, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Period April 16, 2015 Through April 15, 2016  
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESS: (Continued)

2015-004 The Sheriff's Office Lacks Adequate Segregation of Duties And Internal Controls Over Tax Receipts  
And Disbursements (Continued)

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Without internal controls in place, there is no way to know that the tax account financial information is accurate. Internal controls should be implemented and duties should be segregated to decrease the risk of misappropriation of assets, errors, and inaccurate financial reporting to external agencies. By not segregating these duties, there is an increased risk of misappropriation of assets either by undetected error or fraud. Internal controls and proper segregation of duties protect employees and the sheriff in the normal course of performing their daily responsibilities. Good internal controls dictate the same employee should not receive payments, prepare deposits, and post to the receipts ledger; the same employee should not prepare monthly reports, sign checks and post to the disbursements ledger; and the same employee should not deposit funds, sign checks, post to ledgers, and prepare bank reconciliations and monthly reports.

We recommend the sheriff's office implement internal controls and segregate duties as much as possible. Employees receiving payments and preparing deposits should not be posting to the receipts ledger and preparing bank reconciliations. Employees preparing and signing checks should not be posting to the disbursements ledger and preparing bank reconciliations. 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 preparing or reviewing the daily deposits, receipts and disbursements ledgers, monthly reports, and bank reconciliations. 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. Furthermore, the sheriff could require dual signatures on all checks, with one signature being the sheriff's.

*Sheriff's Response: No response.*



