

**REPORT OF THE AUDIT OF THE  
GRAVES COUNTY  
SHERIFF'S SETTLEMENT - 2016 TAXES**

**For The Period  
April 16, 2016 Through April 17, 2017**



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

To the People of Kentucky

The Honorable Matthew G. Bevin, Governor  
William M. Landrum III, Secretary  
Finance and Administration Cabinet  
The Honorable Jesse Perry, Graves County Judge/Executive  
The Honorable Dewayne Redmon, Graves County Sheriff  
Members of the Graves County Fiscal Court

Independent Auditor's Report

**Report on the Financial Statement**

We have audited the Graves County Sheriff's Settlement - 2016 Taxes for the period April 16, 2016 through April 17, 2017 - 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  
The Honorable Matthew G. Bevin, Governor  
William M. Landrum III, Secretary  
Finance and Administration Cabinet  
The Honorable Jesse Perry, Graves County Judge/Executive  
The Honorable Dewayne Redmon, Graves County Sheriff  
Members of the Graves County Fiscal Court

### **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 Graves 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 Graves County Sheriff, for the period April 16, 2016 through April 17, 2017.

### **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, 2016 through April 17, 2017 of the Graves 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 March 5, 2018, on our consideration of the Graves 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 Graves County Sheriff's internal control over financial reporting and compliance.

To the People of Kentucky

The Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

The Honorable Jesse Perry, Graves County Judge/Executive

The Honorable Dewayne Redmon, Graves County Sheriff

Members of the Graves County Fiscal Court

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

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

- 2016-001 The Graves County Sheriff Failed To Include Franchise Taxes On His 2016 Tax Settlement
- 2016-002 The Graves County Sheriff's Office Lacks Adequate Segregation Of Duties
- 2016-003 The Graves County Sheriff Has A \$554 Deficit In His 2016 Tax Account
- 2016-004 The Graves County Sheriff Failed To Settle Franchise Taxes Associated With Prior Years
- 2016-005 The Graves County Sheriff Did Not Perform Daily Checkout Procedures Or Make Daily Deposits
- 2016-006 The Graves County Sheriff Failed To Distribute Interest As Required By Statute

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

March 5, 2018

GRAVES COUNTY  
DEWAYNE REDMON, SHERIFF  
SHERIFF'S SETTLEMENT - 2016 TAXES

For The Period April 16, 2016 Through April 17, 2017

<u>Charges</u>	Special			
	<u>County Taxes</u>	<u>Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 1,369,614	\$ 2,205,667	\$ 5,445,805	\$ 1,777,772
Tangible Personal Property	187,860	288,826	686,090	518,134
Fire Protection	1,118			
Omitted Taxes	77	90	343	99
Franchise Taxes	185,758	292,095	683,046	
Additional Billings	3,000	5,132	7,426	25,955
Clay Property Taxes	95	111	423	122
Limestone, Sand, and Mineral Reserves	171	200	763	220
Bank Franchises	112,402			
Penalties	7,103	12,680	26,841	11,757
Adjusted to Sheriff's Receipt	6,130	10,482	(1,079)	(16,908)
 Gross Chargeable to Sheriff	 <u>1,873,328</u>	 <u>2,815,283</u>	 <u>6,849,658</u>	 <u>2,317,151</u>
 <u>Credits</u>				
Exonerations	7,611	12,990	30,358	11,457
Discounts	26,947	38,827	98,364	35,373
Delinquents:				
Real Estate	21,837	45,695	75,561	28,026
Tangible Personal Property	692	1,044	1,413	2,384
Additional Bills	263	599	1,170	338
Omitted Taxes	67	78	296	86
Franchise Taxes	7,707	9,520	32,653	
Uncollected Franchise Taxes	6,052	7,806	24,431	
 Total Credits	 <u>71,176</u>	 <u>116,559</u>	 <u>264,246</u>	 <u>77,664</u>
 Taxes Collected	 1,802,152	 2,698,724	 6,585,412	 2,239,487
Less: Commissions *	<u>76,591</u>	<u>111,651</u>	<u>197,562</u>	<u>95,178</u>
 Taxes Due	 1,725,561	 2,587,073	 6,387,850	 2,144,309
Taxes Paid	1,721,166	2,578,907	6,372,738	2,135,787
Refunds (Current and Prior Year)	<u>4,256</u>	<u>6,433</u>	<u>15,672</u>	<u>8,546</u>
 Due Districts or (Refunds Due Sheriff) as of Completion of Audit	 <u>\$ 139</u>	 <u>\$ 1,733</u>	 <u>\$ (560)</u>	 <u>\$ (24)</u>

\*\*

\* and \*\* See next page.



GRAVES COUNTY  
 DEWAYNE REDMON, SHERIFF  
 SHERIFF'S SETTLEMENT - 2016 TAXES  
 For The Period April 16, 2016 Through April 17, 2017  
 (Continued)

\* Commissions:

4.25% on	\$ 6,266,925
4% on	\$ 411,401
3% on	\$ 6,585,412
1% on	\$ 62,037

\*\* Special Taxing Districts:

Library District	\$ 18
Health District	37
Mental Health - JU Kevil Memorial	23
Watershed #1	(66)
Watershed #3	1,316
Symsonia Fire	443
Melber Volunteer Fire Department	38
Mayfield/Graves County Rescue	(38)
Viola Volunteer Fire Department	<u>(38)</u>

Due Districts or (Refunds Due Sheriff)	<u>\$ 1,733</u>
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GRAVES COUNTY  
NOTES TO FINANCIAL STATEMENT

April 17, 2017

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 Graves County Sheriff maintained deposits of public funds with depository institutions insured by the 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 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 17, 2017, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of November 7, 2016, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the sheriff's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured                      \$1,370,424

GRAVES COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 April 17, 2017  
 (Continued)

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2016. Property taxes were billed to finance governmental services for the fiscal year ended June 30, 2017. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 30, 2016 through April 17, 2017.

B. Clay Reserves

The clay property tax assessments were levied as of January 1, 2016. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 16, 2016 through April 17, 2017.

C. Limestone, Sand, and Gravel Property Taxes

The limestone, sand, and gravel property tax assessments were levied as of January 1, 2016. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 16, 2016 through April 17, 2017.

D. Franchise Taxes

The franchise tax assessments were levied by the Department of Revenue for various tax years. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was April 16, 2016 through April 30, 2017.

Note 4. Interest Income

The Graves County Sheriff earned \$727 as interest income on 2016 taxes. As of March 5, 2018, the sheriff owed \$345 in interest to the school district and \$382 in interest to his fee account.

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

The Graves County Sheriff collected \$53,031 of 10% add-on fees allowed by KRS 134.119(7). This amount was used to operate the sheriff's office.

Note 6. Unrefundable Duplicate Payments And Unexplained Receipts

The sheriff deposited unrefundable duplicate payments and unexplained receipts in a non-interest-bearing account. The sheriff's escrowed amounts were as follows:

2012	\$986
2013	\$13
2014	\$205

KRS 393.090 states that if the funds have not been claimed after three years, 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  
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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Jesse Perry, Graves County Judge/Executive  
The Honorable Dewayne Redmon, Graves County Sheriff  
Members of the Graves 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 Graves County Sheriff's Settlement - 2016 Taxes for the period April 16, 2016 through April 17, 2017 - Regulatory Basis and the related notes to the financial statement and have issued our report thereon dated March 5, 2018. The Graves 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 Graves 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 Graves County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Graves County Sheriff's internal control.

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 Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 deficiencies described in the accompanying Schedule of Findings and Responses as items 2016-001 and 2016-002 to be material weaknesses.



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)

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Graves 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2016-001, 2016-003, 2016-004, 2016-005, and 2016-006.

**Views of Responsible Official and Planned Corrective Action**

The Graves County Sheriff's views and planned corrective action for the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The sheriff's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

**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

March 5, 2018



SCHEDULE OF FINDINGS AND RESPONSES

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GRAVES COUNTY  
DEWAYNE REDMON, SHERIFF  
SCHEDULE OF FINDINGS AND RESPONSES

For The Period April 16, 2016 Through April 17, 2017

FINANCIAL STATEMENT FINDINGS:

2016-001 The Graves County Sheriff Failed To Include Franchise Taxes On His 2016 Tax Settlement

The Graves County Sheriff collected \$1,185,133 of franchise taxes for tax year 2016. However, the sheriff failed to include franchise taxes collected or franchise taxes paid to districts on his 2016 Tax Settlement that was presented to the fiscal court.

According to the Graves County Sheriff, the bookkeeper, whose duties included preparing the franchise tax settlement, failed to prepare a separate franchise settlement. A lack of internal controls over the reporting of franchise taxes and a lack of understanding of the reporting requirements of KRS 134.192(5) resulted in the sheriff failing to ensure that franchise taxes were properly reported on the tax settlement that was presented to fiscal court for approval.

The sheriff's settlement of taxes was materially misstated because the sheriff failed to include franchise taxes collected and paid on his tax settlement that was presented to fiscal court. Additionally, he is not in compliance with KRS 134.192(5).

KRS 134.192(5) states, "[t]he report of the state and local settlement shall be filed in the county clerk's office and approved by the governing body of the county no later than September 1 of each year. The settlement shall show the amount of ad valorem tax collected for the county, the school district, and all taxing districts, and an itemized statement of the money disbursed to or on behalf of the county, the school district, and all taxing districts." Additionally, good internal controls dictate an internal review of the sheriff's settlement to determine that amounts presented are comprehensive and accurate.

We recommend the sheriff strengthen internal controls over preparation of the tax settlement to make sure that all taxes collected and remitted are included on the settlement that is presented to fiscal court.

*Sheriff's Response: The lady who was responsible for Franchises failed to do a settlement, not sure why. She is no longer with us and we will see that this gets done in the future.*

2016-002 The Graves County Sheriff's Office Lacks Adequate Segregation Of Duties

This is a repeat finding and was included in the prior year audit report as finding 2015-002. For tax year 2016, the Graves County Sheriff's office lacked adequate segregation of duties over the accounting and reporting functions of the sheriff's office. The sheriff's bookkeeper collects cash, prepares monthly and quarterly reports, prepares deposits, prepares and signs checks, posts to the ledgers, and performs the monthly bank reconciliations.

Rather than segregate the accounting functions of the office, the sheriff has placed reliance on his trust in the bookkeeper. A lack of segregation of duties or strong oversight increases the risk of undetected errors and fraud.

Good internal controls dictate that the segregation of duties over these tasks, or the implementation of compensating controls, is essential for providing protection from asset misappropriation and helping to prevent inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

GRAVES COUNTY  
 DEWAYNE REDMON, SHERIFF  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Period April 16, 2016 Through April 17, 2017  
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-002 The Graves County Sheriff's Office Lacks Adequate Segregation Of Duties (Continued)

To adequately protect against the misappropriation of assets and undetected misstatements, we recommend the sheriff segregate the duties noted above by allowing different deputies to perform them. For those duties that cannot be segregated due to a limited number staff, strong management oversight by the sheriff or designee could be a cost effective alternative. This oversight should include reviewing the daily deposits, comparing the daily checkout sheets to the monthly reports, and reviewing the monthly bank reconciliations. Documentation, such as the sheriff's or designee's initials or signature, should be provided on those items that are reviewed.

*Sheriff's Response: We are a small office, we are trying to implement others in the process of collecting taxes.*

2016-003 The Graves County Sheriff Has A \$554 Deficit In His 2016 Tax Account

This is a repeat finding and was included in the prior year audit report as finding 2015-003. For tax year 2016, the Graves County Sheriff has a deficit in his official tax account in the amount of \$554. This occurred because of a lack of internal controls in place to ensure all tax monies due the tax account were properly billed, collected, and deposited, and that all payments were properly paid. As a result, the sheriff's tax account did not receive all monies due which resulted in the sheriff's office not having the funds needed to settle 2016 taxes. As a collector of property taxes, the sheriff assumes full responsibility for all tax collections and complete distribution of these collections to the proper taxing authorities. KRS 134.192 requires the sheriff to settle his or her accounts annually with each tax district for which he or she collects taxes. We recommend the Graves County Sheriff deposit personal funds of \$554 into his official 2016 tax account and settle his 2016 taxes.

*Sheriff's Response: The sheriff will pay the necessary funds to the property tax account to take care of the deficit.*

2016-004 The Graves County Sheriff Failed To Settle Franchise Taxes Associated With Prior Years

The proper distribution of franchise taxes collected by the Graves County Sheriff's office in prior years requires the collection of receivables (including overpayments to some taxing districts) and the payment of these funds to the appropriate taxing districts and fee account. However, due to the fact that receivables associated with these taxes approximate payables, the sheriff's office has elected not to settle the corresponding taxes. For 2012, receivables are \$97 with no liabilities; for 2013, receivables are \$183 and liabilities are \$324; for 2014, receivables are \$1,083 and liabilities are \$1,043; and for 2015, liabilities are \$10,811 with no receivables.

KRS 134.192 requires the sheriff to settle his or her accounts annually with each taxing district for which he or she collects taxes. Because the sheriff failed to settle franchise tax collections associated with 2012, 2013, 2014, and 2015, the sheriff is not in compliance with KRS 134.192. Failure to settle franchise taxes associated with prior years has also resulted in the wrong amounts being distributed to the taxing districts and sheriff's fee account.

We recommend the sheriff settle franchise taxes associated with the prior years by collecting all receivables and paying all liabilities for the 2012, 2013, 2014, and 2015 tax years.

*Sheriff's Response: The lady previously in charge of Franchise Taxes did not take care of this. It will be taken care of within the next month.*

GRAVES COUNTY  
 DEWAYNE REDMON, SHERIFF  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Period April 16, 2016 Through April 17, 2017  
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-005 The Graves County Sheriff Did Not Perform Daily Checkout Procedures Or Make Daily Deposits

This is a repeat finding and was included in the prior year audit report as finding 2015-004. The Graves County Sheriff's office did not perform checkout procedures or make a daily deposit for a certain day that was included in testing procedures. Instead, the sheriff held collections for that day and performed checkout procedures the following day. Thus, the checkout sheet included collections for two business days. Therefore, the deposit that included receipts collected on February 10, 2017, did not clear the bank until February 14, 2017.

According to the staff of the sheriff's office, checkout procedures were not performed and a deposit was not made on February 10, 2017, because the amount collected that day was nominal. Failure to perform daily checkout procedures and make daily deposits leaves tax collections vulnerable to misappropriation and loss. Also, because the sheriff did not make daily deposits, he is not in compliance with KRS 68.210.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. This uniform system of accounts, as outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual* require daily deposits.

We recommend the sheriff perform checkout procedures each day taxes are collected and ensure that all deposits are made and deposited into a federally insured banking institution daily.

*Sheriff's Response: This was discussed while the previous audit was being performed. It has been corrected.*

2016-006 The Graves County Sheriff Failed To Distribute Interest As Required By Statute

The sheriff failed to distribute interest to the school and to his fee account. According to the sheriff, due to the fact that interest earned on the tax accounts was trivial in amount, the sheriff elected not to distribute it. KRS 134.140(2) states, "[a]s part of the monthly distribution of taxes to a district board of education as required by KRS 134.191, the sheriff shall pay to the board of education that part of the investment earnings for the month which are attributable to the investment of school taxes[.]" Because the sheriff did not distribute interest to the school, the sheriff is not in compliance with KRS 134.140(2). We recommend the sheriff comply with KRS 134.140(2) by distributing interest earned to the school and fee account each month.

*Sheriff's Response: This has been corrected for the property tax account and will be for the franchise account for the up coming tax year.*