

**REPORT OF THE AUDIT OF THE
FULTON COUNTY
SHERIFF'S SETTLEMENT - 2022 TAXES**

**For The Period
January 1, 2023 Through August 31, 2023**



**ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS
auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE 502.564.5841
FACSIMILE 502.564.2912**

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
SHERIFF’S SETTLEMENT - 2022 TAXES	4
NOTES TO FINANCIAL STATEMENT	6
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 <i>GOVERNMENT AUDITING STANDARDS</i>	11
SCHEDULE OF FINDINGS AND RESPONSES	15

THIS PAGE LEFT BLANK INTENTIONALLY



ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Jim Martin, Fulton County Judge/Executive
The Honorable Chad Parker, Fulton County Sheriff
Members of the Fulton County Fiscal Court

Report on the Audit of the Financial Statement

Opinions

We have audited the accompanying Fulton County Sheriff's Settlement - 2022 Taxes for the period January 1, 2023 through August 31, 2023 - Regulatory Basis, and the related notes to the financial statement.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statement presents fairly, in all material respects, the taxes charged, credited, and paid for the period January 1, 2023 through August 31, 2023 of the Fulton County Sheriff, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

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 section of our report, the financial statement 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 Fulton County Sheriff, for the period January 1, 2023 through August 31, 2023.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Audit Program for Sheriffs' Tax Settlements*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Fulton County Sheriff and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Jim Martin, Fulton County Judge/Executive
The Honorable Chad Parker, Fulton County Sheriff
Members of the Fulton County Fiscal Court

Basis for Opinions (Continued)

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 Fulton 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 and budget laws, 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 and pervasive.

Responsibilities of Management 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 and budget laws. 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 Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not an absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit 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 Fulton County Sheriff's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fulton County Sheriff's ability to continue as a going concern for a reasonable period of time.

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Jim Martin, Fulton County Judge/Executive
The Honorable Chad Parker, Fulton County Sheriff
Members of the Fulton County Fiscal Court

Auditor’s Responsibilities for the Audit of the Financial Statement (Continued)

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2024, on our consideration of the Fulton 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 effectiveness of 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 Fulton County Sheriff’s internal control over financial reporting and compliance.

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

- 2022-001 The Fulton County Sheriff’s Office Does Not Have Adequate Segregation Of Duties
- 2022-002 The Fulton County Sheriff’s Office Did Not Make Daily Tax Deposits
- 2022-003 The Fulton County Sheriff Did Not Present An Annual Franchise Tax Settlement To The Fiscal Court By September 1

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

April 8, 2024

FULTON COUNTY
CHAD PARKER, SHERIFF
SHERIFF'S SETTLEMENT - 2022 TAXES

For The Period January 1, 2023 Through August 31, 2023

	Special Taxing			
	County	Districts	School	State
<u>Charges</u>				
Transfer From Outgoing Sheriff:				
Real Estate	\$ 35,684	\$ 64,042	\$ 182,102	\$ 31,812
Tangible	5,686	9,473	31,047	7,287
Fire Protection	19			
Total Per Sheriff's Official Receipt	41,389	73,515	213,149	39,099
<u>Other Taxes & Charges</u>				
Court Ordered Increases	50	89	213	45
Franchise Taxes	41,525	71,135	197,878	
Penalties	1,448	2,605	7,043	1,389
Gross Chargeable to Sheriff	84,412	147,344	418,283	40,533
<u>Credits</u>				
Exonerations	62	110	288	55
Discounts	294	504	1,625	220
Delinquent Real Estate	7,235	12,882	36,276	6,448
Delinquent Real Tangible	69	115	369	234
Total Credits	7,660	13,611	38,558	6,957
Taxes Collected	76,752	133,733	379,725	33,576
Less: Sheriff's Commissions*	3,262	5,684	13,290	1,427
Taxes Due Districts	73,490	128,049	366,435	32,149
Taxes Paid	73,182	127,545	364,900	31,950
Refunds (Current and Prior Year)	308	502	1,535	199
Taxes Due Districts	\$ 0	\$ 2	\$ 0	\$ 0

**

* and ** See next page.

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

FULTON COUNTY
CHAD PARKER, SHERIFF
SHERIFF'S SETTLEMENT - 2022 TAXES
For The Period January 1, 2023 Through August 31, 2023
(Continued)

* Commissions:

4.25% on	\$	244,061
3.5% on	\$	379,725

** Special Taxing Districts:

Library District	\$	1
Mental Health District		<u>1</u>
Due Districts	\$	<u><u>2</u></u>

FULTON COUNTY
NOTES TO FINANCIAL STATEMENT

August 31, 2023

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).

D. Preparation of State Settlement

The Kentucky Department of Revenue prepares the settlement relating to taxes collected for the state under the provision of KRS 134.192(2)(a). This is reported as the "State Taxes" column on the financial statement.

Note 2. Deposits

The Fulton County Sheriff maintained deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The DLG Manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected 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. These requirements were met.

FULTON COUNTY
NOTES TO FINANCIAL STATEMENT
August 31, 2023
(Continued)

Note 2. Deposits (Continued)

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 Fulton County Sheriff does not have a deposit policy for custodial credit risk, but rather follows the requirements of the *DLG County Budget Preparation and State Local Finance Officer Policy Manual*. As of August 31, 2023, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2022. Property taxes were billed to finance governmental services for the fiscal year ending June 30, 2023. Liens are effective when the tax bills become delinquent. The collection period for these assessments was January 3, 2023 through April 17, 2023.

B. Franchise Taxes

The franchise tax assessments were levied by the Department of Revenue for various tax years. Franchise taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was January 1, 2023 through April 30, 2023.

Note 4. Interest Income

The Fulton County Sheriff earned \$314 as interest income on 2022 taxes. The sheriff was in substantial compliance with his statutory responsibilities.

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

The Fulton County Sheriff collected \$10,725 of 10% add-on fees allowed by KRS 134.119(7). This amount was used to operate the sheriff's office.

THIS PAGE LEFT BLANK INTENTIONALLY

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*

THIS PAGE LEFT BLANK INTENTIONALLY



ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

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

The Honorable Jim Martin, Fulton County Judge/Executive
The Honorable Chad Parker, Fulton County Sheriff
Members of the Fulton County Fiscal Court

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 Fulton County Sheriff's Settlement - 2022 Taxes for the period January 1, 2023 through August 31, 2023 - Regulatory Basis and the related notes to the financial statement and have issued our report thereon dated April 8, 2024. The Fulton 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.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Fulton County Sheriff's internal control over financial reporting (internal control) as a basis for designing 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 Fulton County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fulton 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 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 2022-001, 2022-002, and 2022-003 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)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fulton County Sheriff's financial statement is free from 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 financial statement. 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 2022-002 and 2022-003.

Views of Responsible Official and Planned Corrective Action

The Fulton 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 Fulton County 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,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

April 8, 2024

SCHEDULE OF FINDINGS AND RESPONSES

THIS PAGE LEFT BLANK INTENTIONALLY

FULTON COUNTY
CHAD PARKER, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Period January 1, 2023 Through August 31, 2023

FINANCIAL STATEMENT FINDINGS:

2022-001 The Fulton County Sheriff's Office Does Not Have Adequate Segregation Of Duties

The Fulton County Sheriff's Office does not have adequate segregation of duties over accounting and reporting of tax collections. The bookkeeper's primary responsibilities include collecting taxes, preparing daily deposits, processing monthly tax reports, preparing and signing tax distributions, performing monthly bank reconciliations, and preparing annual tax settlements. No oversight reviews were documented. According to the sheriff, the lack of segregation of duties is due to a limited number of staff and the diversity of operations. A lack of segregation of duties or strong oversight increases the risk that errors or fraud could have occurred and not been detected.

A properly designed internal control environment exists when the design or operation of a control allows management or employees in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. The best way to achieve a properly designed internal control environment is to segregate the duties of authorization, recording, and physical access to assets which, is essential for providing protection from asset misappropriation and providing reasonable assurance that the financial information is reliable, accurate, and timely.

In order to achieve a proper segregation of duties, we recommend that the sheriff assign some duties to other employees. If this is not feasible, we recommend that the sheriff implement compensating controls such as oversight reviews and ensure there is evidence of the reviews performed.

Sheriff's Response: Due to the size of our office, we do not have multiple personnel handling the accounting. However, we do incorporate compensating controls with the Sheriff and each deputy in the office. Segregation of duties are implemented by delegating duties to all personnel to enhance transparency, accountability and over all integrity of all operations of this office.

2022-002 The Fulton County Sheriff's Office Did Not Make Daily Tax Deposits

The Fulton County Sheriff's Office did not make daily tax deposits. For the week tested, four of the eight days tested were not deposited timely. There was a daily collection report completed for each day, but deposits were not made daily. According to the sheriff, deposits were not made daily due to the office having a limited staff. The failure to make daily deposits resulted in the sheriff not following KRS 68.210. Also, by not making daily deposits, tax collections were left vulnerable to misappropriation and loss.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires officials to require receipts be kept intact and deposited daily. In addition, strong internal controls dictate that daily collections should be deposited daily.

We recommend the Fulton County Sheriff's office perform daily checkout procedures and make daily deposits. We further recommend the sheriff's office strengthen internal controls over daily checkout procedures to ensure deposits are made daily.

Sheriff's Response: Due to the size of our office, we have one certified accountant. However, we do attempt to make daily deposits to ensure we do not have a large accumulation of monies on site. We also balance all incoming transactions and funds daily by documenting on deposit slips to ensure all funds are accounted for. Which helps reconciliation of all accounts, and that they are accurately balanced.

FULTON COUNTY
CHAD PARKER, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Period January 1, 2023 Through August 31, 2023
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-003 The Fulton County Sheriff Did Not Present An Annual Franchise Tax Settlement To The Fiscal Court By September 1

The Fulton County Sheriff did not present the 2022 franchise tax settlement to the fiscal court until October 16, 2023, which is six weeks late. According to the sheriff, this was due to an oversight of the deadline required to make an annual settlement. The Fulton County Sheriff is not in compliance with KRS 134.192.

KRS 134.192(1) states, “[e]ach sheriff shall annually settle his or her accounts with the department, the county, and any district for which the sheriff collects taxes on or before September 1 of each year.” 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.”

We recommend the sheriff present an annual tax settlement to the fiscal court in accordance with KRS 134.192.

Sheriff’s Response: An annual franchise settlement was submitted to the Fiscal Court prior to September. The office was unaware that the settlement had to be separated by the outgoing Sheriff and the current Sheriff. That report was corrected and resubmitted in a timely manner.