

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

**For The Period
December 17, 2022 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**

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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 Chris Elleman, Garrard County Judge/Executive
The Honorable Willie Skeens, Garrard County Sheriff
Members of the Garrard County Fiscal Court

Report on the Audit of the Financial Statement

Opinions

We have audited the accompanying Garrard County Sheriff's Settlement - 2022 Taxes for the period December 17, 2022 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 December 17, 2022 through August 31, 2023 of the Garrard 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 Garrard County Sheriff, for the period December 17, 2022 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 Garrard 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 Chris Elleman, Garrard County Judge/Executive
The Honorable Willie Skeens, Garrard County Sheriff
Members of the Garrard 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 Garrard 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 Garrard 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 Garrard 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 Chris Elleman, Garrard County Judge/Executive
The Honorable Willie Skeens, Garrard County Sheriff
Members of the Garrard 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 December 8, 2023, on our consideration of the Garrard 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 Garrard 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 Garrard County Sheriff Was Not Properly Bonded
- 2022-002 The Garrard County Sheriff Did Not Have Adequate Segregation Of Duties Over Receipts Processing And Reconciliations

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

December 8, 2023

GARRARD COUNTY
WILLIE SKEENS, SHERIFF
SHERIFF'S SETTLEMENT - 2022 TAXES

For The Period December 17, 2022 Through August 31, 2023

| | Special Taxing | | | |
|--------------------------------------|----------------|-------------|-------------|-------------|
| | County | Districts | School | State |
| <u>Charges</u> | | | | |
| Real Estate | \$ 78,076 | \$ 256,248 | \$ 644,379 | \$ 113,656 |
| Tangible | 2,465 | 8,741 | 15,930 | 9,354 |
| Total Per Sheriff's Official Receipt | 80,541 | 264,989 | 660,309 | 123,010 |
| <u>Other Taxes & Charges</u> | | | | |
| Franchise Taxes | 97,738 | 293,327 | 685,067 | |
| Additional Billings | 1 | 3 | 7 | 1 |
| Penalties | 2,709 | 9,025 | 22,184 | 4,226 |
| Gross Chargeable to Sheriff | 180,989 | 567,344 | 1,367,567 | 127,237 |
| <u>Credits</u> | | | | |
| Exonerations | 314 | 970 | 2,595 | 458 |
| Discounts | 101 | 370 | 656 | |
| Delinquent Real Estate | 9,029 | 30,683 | 74,517 | 13,143 |
| Delinquent Tangible | 431 | 2,043 | 2,784 | 437 |
| Total Credits | 9,875 | 34,066 | 80,552 | 14,038 |
| Taxes Collected | 171,114 | 533,278 | 1,287,015 | 113,199 |
| Less: Sheriff's Commissions* | 7,272 | 19,297 | 30,116 | 4,811 |
| Taxes Due Districts | 163,842 | 513,981 | 1,256,899 | 108,388 |
| Taxes Paid | 163,537 | 512,928 | 1,254,376 | 107,941 |
| Refunds (Current and Prior Year) | 305 | 1,053 | 2,523 | 447 |
| Taxes Due Districts | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |

* Commissions:

| | | |
|----------|----|-----------|
| 4.25% on | \$ | 653,980 |
| 4% on | \$ | 65,002 |
| 2.34% on | \$ | 1,287,015 |
| 1% on | \$ | 98,609 |

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

GARRARD 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 Garrard 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.

GARRARD 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 Garrard 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 December 19, 2022 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 December 17, 2022 through April 17, 2023.

Note 4. Sheriff's 10% Add-On Fee

The Garrard County Sheriff collected \$24,579 of 10% add-on fees allowed by KRS 134.119(7). This amount was used to operate the sheriff's office.

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*

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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 Chris Elleman, Garrard County Judge/Executive
The Honorable Willie Skeens, Garrard County Sheriff
Members of the Garrard 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 Garrard County Sheriff's Settlement - 2022 Taxes for the period December 17, 2022 through August 31, 2023 - Regulatory Basis and the related notes to the financial statement and have issued our report thereon dated December 8, 2023. The Garrard 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 Garrard 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 Garrard County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Garrard County Sheriff's internal control.

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. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, which is described in the accompanying Schedule of Findings and Responses as item 2022-002 that we consider to be a significant deficiency.



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 Garrard 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2022-001.

Views of Responsible Official and Planned Corrective Action

The Garrard 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 Garrard 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

December 8, 2023

SCHEDULE OF FINDINGS AND RESPONSES

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GARRARD COUNTY
WILLIE SKEENS, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Period December 17, 2022 Through August 31, 2023

STATE LAWS AND REGULATIONS:

2022-001 The Garrard County Sheriff Was Not Properly Bonded

The sheriff did not initially execute a bond as required by KRS 70.020(1) (hereafter referred to as a general bond) or execute a bond as required under KRS 134.230(1)(a) (hereafter referred to as a revenue bond). The sheriff did not have effective internal controls implemented to discover this compliance issue. The sheriff contacted the insurance agent who had been providing bonds for the office and requested that everything be switched over from the outgoing sheriff. Per the insurance agency, the sheriff was still covered under the outgoing sheriff's bonds through the end of calendar year 2022, and he would issue new bonds after the beginning of 2023. On January 1, 2023, the sheriff was issued a bond to ensure his performance as a peace officer, although this bond did not qualify as a general bond or a revenue bond. The sheriff and his bookkeeper were not aware that the correct bonds were not implemented until their 2022 tax auditor brought the oversight to their attention. The sheriff stated that he trusted his bonding agent to know what was needed and he failed to verify compliance. Once the sheriff was notified by the auditor that he was not properly bonded, he contacted his bonding agent and was provided with a bond that was executed on November 30, 2023, which covered only the period January 1, 2023, through January 3, 2024.

As a result of this oversight, during the audit period, December 17, 2022, through August 31, 2023, the sheriff was not in compliance with relevant Kentucky Revised Statutes during the audit period and collected taxes for the 2022 and 2023 tax years without the proper bond in place, exposing the tax collections in the sheriff's custody to risk of potential loss.

We recommend the sheriff implement internal controls to ensure compliance with the relevant KRS. This includes but is not limited to reviewing KRS 70.020 and KRS 134.230, reviewing the sheriff's bonds annually, and consulting with the Garrard County Attorney for guidance. Also, we recommend the sheriff present his general and revenue bonds to the Garrard County Fiscal Court for approval, file them with the Garrard County Clerk, and file a copy of the revenue bond with the Kentucky Department of Revenue.

Sheriff's Response: Immediately Corrected, following a bonding company issue, the bond was purchased through another entity which resulted in coverage for the entire year of 2023.

GARRARD COUNTY
WILLIE SKEENS, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Period December 17, 2022 Through August 31, 2023
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY:

2022-002 The Garrard County Sheriff Did Not Have Adequate Segregation Of Duties Over Receipts Processing and Reconciliations

The Garrard County Sheriff did not have adequate segregation of duties over receipts and reconciliations. The sheriff's office manager took receipts from customers, prepared daily check-out sheets, prepared daily deposits, and performed the reconciliation of the bank statements. There was no documentation of supervisory review of daily checkout sheets, deposit slips, bank statements, or reconciliations. The sheriff had a small administrative staff and the office manager was delegated to execute most accounting functions. The sheriff did not implement compensating controls sufficient to offset the control weakness noted.

The lack of segregation of duties increases the risk of misappropriation of assets, errors, and inaccurate financial reporting. By the same employee primarily performing related functions without sufficient oversight and review, the risk increases that errors or fraud may go undetected. Additionally, proper segregation of duties and/or oversight and review protects employees in the course of performing their daily responsibilities. Segregation of duties and the implementation of compensating controls when needed because the number of staff is limited, is essential for providing protection from asset misappropriation and inaccurate financial reporting. Adequate segregation of duties would prevent the same person from having all the significant roles over various accounting functions. Strong internal controls dictate oversight and review procedures to ensure accountability for public funds.

We recommend the sheriff implement the segregation of duties over receipt processing and reconciliations. If these duties cannot be segregated, then the sheriff should implement compensating controls to strengthen oversight of duties performed by the same person. This could include but is not limited to the sheriff (or designee) reviewing and initialing the daily checkout sheets to agree to the daily deposits and reviewing and initialing the monthly bank statements and reconciliations.

Sheriff's Response: Receipts, deposits, and reconciliations are prepared by the office manager, reviewed by the records clerk, and finally by the sheriff. The office uses all resources available to ensure receipts and reconciliations are appropriate.

Auditor's Reply: While compensating controls may have been implemented, they were not documented for the dates tested.