

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

**For The Period
September 1, 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**

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT 1

SHERIFF’S SETTLEMENT - 2022 TAXES4

NOTES TO FINANCIAL STATEMENT6

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* 11

SCHEDULE OF FINDINGS AND RESPONSES 15

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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 Chuck Dills, Grant County Judge/Executive
The Honorable Brian Maines, Grant County Sheriff
Members of the Grant County Fiscal Court

Report on the Audit of the Financial Statement

Opinions

We have audited the accompanying Grant County Sheriff's Settlement - 2022 Taxes for the period September 1, 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 September 1, 2022 through August 31, 2023 of the Grant 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 Grant County Sheriff, for the period September 1, 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 Grant 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 Chuck Dills, Grant County Judge/Executive
The Honorable Brian Maines, Grant County Sheriff
Members of the Grant 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 Grant 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 Grant 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 Grant 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 Chuck Dills, Grant County Judge/Executive
The Honorable Brian Maines, Grant County Sheriff
Members of the Grant 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 July 2, 2024, on our consideration of the Grant 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 Grant 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 finding:

2022-001 The Grant County Sheriff’s Office Does Not Have Adequate Internal Controls Over The Tax Collection And Settlement Process

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

July 2, 2024

GRANT COUNTY
BRIAN MAINES, SHERIFF
SHERIFF'S SETTLEMENT - 2022 TAXES

For The Period September 1, 2022 Through August 31, 2023

	<u>County</u>	<u>Special Taxing Districts</u>	<u>School Taxing Districts</u>	<u>State</u>
<u>Charges</u>				
Total Per Sheriff's Official Receipt	\$ 1,731,751	\$ 4,128,313	\$ 8,815,235	\$ 1,900,525
<u>Other Taxes & Charges</u>				
Franchise Taxes	247,288	628,979	1,273,133	
Bank Franchises	72,128			
Penalties	4,820	11,032	24,510	4,636
Gross Chargeable to Sheriff	2,055,987	4,768,324	10,112,878	1,905,161
<u>Credits</u>				
Exonerations	5,042	10,211	25,737	4,831
Discounts	29,702	63,186	151,280	32,830
Delinquent Real Estate	15,581	56,921	82,498	14,932
Delinquent Tangible	7,721	19,677	37,068	12,704
Adjustment for reversal/correction				(55)
Total Credits	58,046	149,995	296,583	65,242
Taxes Collected	1,997,941	4,618,329	9,816,295	1,839,919
Less: Sheriff's Commissions*	87,979	196,011	245,479	78,196
Taxes Due Districts	1,909,962	4,422,318	9,570,816	1,761,723
Taxes Paid	1,913,041	4,429,371	9,570,885	1,761,722
Taxes Due Districts (Refund Due Sheriff)	<u>\$ (3,079)</u>	<u>\$ (7,053)</u>	<u>\$ (69)</u>	<u>\$ 1</u>
		**	***	

*, **, and *** See next page.

GRANT COUNTY
 BRIAN MAINES, SHERIFF
 SHERIFF'S SETTLEMENT - 2022 TAXES
 For The Period September 1, 2022 Through August 31, 2023
 (Continued)

* Commissions:

4.25% on	\$	8,446,745
2.5% on	\$	9,816,295
1% on	\$	9,444

** Special Taxing Districts:

Library District	\$	(37)
Health District		(9)
Extension District		(33)
Soil Conservation District		(2)
Mental Health District		(7,279)
Verona Fire District		307
		<u>307</u>

Tases Due District

(Refunds Due Sheriff)	\$	<u>(7,053)</u>
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*** School Taxing Districts:

Common School District	\$	<u>(69)</u>
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Refund Due Sheriff	\$	<u>(69)</u>
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GRANT 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 Grant 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.

GRANT 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 Grant 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 September 30, 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 September 1, 2022 through August 31, 2023.

Note 4. Interest Income

The Grant County Sheriff earned \$196 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 Grant County Sheriff collected \$37,827 of 10% add-on fees allowed by KRS 134.119(7). This amount was used to operate the sheriff's office.

Note 6. Escrow Account

The sheriff deposited nonrefundable payments in an interest-bearing account. The sheriff's escrowed beginning balance was \$6,172, includes \$50 in receivables for service fees due back to the account. The sheriff received \$30 and disbursed \$523, resulting in a total ending balance of \$5,729 as of August 31, 2023. The ending balance consists of escrowed amounts of:

2019	\$1,342
2020	\$3,541
2021	\$843
Interest	\$3

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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*

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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 Chuck Dills, Grant County Judge/Executive
The Honorable Brian Maines, Grant County Sheriff
Members of the Grant 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 Grant County Sheriff's Settlement - 2022 Taxes for the period September 1, 2022 through August 31, 2023 - Regulatory Basis and the related notes to the financial statement and have issued our report thereon dated July 2, 2024. The Grant 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 Grant 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 Grant County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Grant 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 a certain deficiency in internal control that we consider to be a material weakness.

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 Schedule of Findings and Responses as item 2022-001 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)

Report on Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Grant 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

July 2, 2024

SCHEDULE OF FINDINGS AND RESPONSES

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GRANT COUNTY
BRIAN MAINES, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Period September 1, 2022 Through August 31, 2023

INTERNAL CONTROL - MATERIAL WEAKNESS:

2022-001 The Grant County Sheriff's Office Does Not Have Adequate Internal Controls Over The Tax Collection And Settlement Process

The Grant County Sheriff failed to segregate incompatible duties and did not implement adequate internal controls over the collection and settlement of his 2022 taxes. The office manager prepared the daily checkout sheet and deposit ticket, posted to the ledger, prepared the monthly reports and disbursement checks, prepared the bank reconciliation, and is responsible for collecting cash at times. Additionally, the tax program utilized by the sheriff for processing the collection and payment of taxes contained errors in commission rates for multiple taxing districts that led to monies being owed to both the sheriff and a taxing district. The lack of oversight and compensating controls led to the sheriff submitting a tax settlement that contained multiple errors.

The sheriff placed the responsibility of accounting for and settling his 2022 taxes on one person without providing any oversight or review of the tax collection process. Duties were not properly segregated, nor were there any documented compensating controls in place to ensure the monthly tax reports were accurately calculated and the tax settlement was accurately completed.

Due to the lack of internal controls the following errors went undetected:

- Failure to collect tax commissions and disburse to the fee account for bank shares in the amount of \$3,065.
- Failure to collect accurate tax commissions from Verona Fire District resulting in \$307 owed back to the district.
- Failure to detect a commission rate changed during tax period for the Mental Health District resulting in \$7,276 being owed to the sheriff.
- The sheriff failed to detect that a commission rate was not calculated for 911 fee until April 2023 and resulted in \$16,634 of commissions due to the sheriff. These commissions were collected prior to final settlement. However, the 911 Fee District Settlement taxes paid amount was overstated by the same amount of commissions, which caused the settlement to not add correctly.
- The sheriff's tax program erroneously included refunds as exoneration decreases. This error was not caught, and the sheriff reported the refunds separately on his tax settlement which resulted in the reports not adding correctly. This issue also had an effect on the commission calculation resulting in the sheriff not collecting all commissions due to the office.
- The sheriff remitted add-on fees of \$37,827 directly to the fiscal court instead of paying them to his fee account. This resulted in his fee account receipts being understated for the calendar year.

The segregation of duties over tax collection process is a basic internal control necessary to ensure the accuracy and reliability of financial reports. Accurate financial reporting helps ensure the proper amounts of taxes are distributed to the taxing districts. Additionally, the segregation of duties over various accounting functions such as opening mail, preparing deposits, recording receipts and disbursements, preparing monthly reports, and preparing monthly bank reconciliations, or the implementation of compensating controls is essential for providing protection from asset misappropriation and/or inaccurate financial reporting. The proper segregation of duties also protects employees in the normal course of performing their daily responsibilities.

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires."

GRANT COUNTY
BRIAN MAINES, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Period September 1, 2022 Through August 31, 2023
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESS: (Continued)

2022-001 The Grant County Sheriff's Office Does Not Have Adequate Internal Controls Over The Tax Collection And Settlement Process (Continued)

We recommend the sheriff's office strengthen controls over the preparation of the tax settlement, ensuring it is complete and accurate. This includes segregating duties, and if that is not possible, we recommend the sheriff implement effective compensating controls. These controls should be evidenced by initials on daily checkouts, sheets, deposit tickets, ledgers, and bank reconciliations, monthly tax reports, and the draft tax settlement. We also recommend a documented review of the tax settlement to make sure that it adds correctly and that all amounts trace to source documents.

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