



Auditor of Public Accounts
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Harmon Releases Audit of Nelson County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2020 taxes for Nelson County Sheriff Ramon Pineiroa. State law requires the auditor to annually audit the accounts of each county sheriff. In compliance with this law, the auditor issues two sheriff's reports each year: one reporting on the audit of the sheriff's tax account, and the other reporting on the audit of the fee account used to operate the office.

Auditing standards require the auditor's letter to communicate whether the sheriff's settlement presents fairly the taxes charged, credited and paid in accordance with accounting principles generally accepted in the United States of America. The sheriff's settlement is prepared on the regulatory basis, which is described in the auditor's opinion letter. Regulatory basis reporting for the sheriff's settlement is an acceptable reporting methodology, and this reporting methodology is followed for all 120 sheriff settlements in Kentucky.

The sheriff's financial statement fairly presents the taxes charged, credited and paid for the period May 16, 2020 through April 15, 2021 in conformity with the regulatory basis of accounting.

As part of the audit process, the auditor must comment on noncompliance with laws, regulations, contracts, and grants. The auditor must also comment on material weaknesses involving the internal control over financial operations and reporting.

The audit contains the following comment:

The Nelson County Sheriff's Office does not have segregation of duties over receipts and reconciliations: The Nelson County Sheriff's bookkeeper is the one employee that collects taxes. The bookkeeper prepares deposits, post to the ledger, and completes the monthly bank reconciliation. There was not sufficient evidence available that would show that the sheriff or another employee reviews the daily checkout sheets, deposit tickets, ledgers, or the bank

reconciliation to offset the risk caused by the lack of segregation of duties. The sheriff stated he does not have enough funds to hire additional personnel to segregate duties.

By the same employee primarily performing related functions with no documentation of review, the risk increases that undetected errors or fraud may occur. The lack of adequate segregation of duties increases the risk of misappropriation of assets, errors, and inaccurate financial reporting. Segregation of duties is essential for providing protection from fraud or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the sheriff's office separate duties over receipts and reconciliation processes. If these duties cannot be separated due to limited staff or limited budget, the sheriff's office should implement strong oversight over these areas, either by an employee independent of those functions or by the sheriff, such as:

- The sheriff (or designee) should compare the daily bank deposit to the daily checkout sheet and then compare to the bank deposit receipt. This should be documented by initialing the bank deposit, daily checkout sheet and bank deposit receipt.
- The sheriff (or designee) should compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled. The sheriff (or designee) could document this by initialing the bank reconciliation and ledger.

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

The sheriff's responsibilities include collecting property taxes, providing law enforcement and performing services for the county fiscal court and courts of justice. The sheriff's office is funded through statutory commissions and fees collected in conjunction with these duties.

The audit report can be found on the [auditor's website](#).

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