

**REPORT OF THE AUDIT OF THE  
OHIO COUNTY  
SHERIFF'S SETTLEMENT – 2022 TAXES**

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



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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 David Johnston, Ohio County Judge/Executive  
The Honorable Adam Wright, Ohio County Sheriff  
Members of the Ohio County Fiscal Court

**Report on the Audit of the Financial Statement**

**Opinions**

We have audited the accompanying Ohio 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 Ohio 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 Ohio 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 Ohio 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 David Johnston, Ohio County Judge/Executive  
The Honorable Adam Wright, Ohio County Sheriff  
Members of the Ohio 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 Ohio 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 Ohio 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 Ohio 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 David Johnston, Ohio County Judge/Executive  
The Honorable Adam Wright, Ohio County Sheriff  
Members of the Ohio 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 15, 2024, on our consideration of the Ohio 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 Ohio 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 Ohio County Sheriff’s Franchise Tax Settlement Was Materially Misstated
- 2022-002 The Ohio County Sheriff’s Office Did Not Turn Over Delinquent Franchise Bills
- 2022-003 The Ohio County Sheriff’s Office Does Not Have Adequate Segregation Of Duties

Respectfully submitted,



Allison Ball  
Auditor of Public Accounts  
Frankfort, Ky

April 15, 2024

OHIO COUNTY  
ADAM WRIGHT, SHERIFF  
SHERIFF'S SETTLEMENT - 2022 TAXES

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

	County	Special Taxing Districts	School	State
<u>Transfer from Outgoing Sheriff</u>				
Real Estate	\$ 65,348	\$ 176,742	\$ 478,936	\$ 98,938
Tangible	2,759	8,028	19,466	21,073
Fire Protection	882			
Total Per Sheriff's Official Receipt	68,989	184,770	498,402	120,011
<u>Other Taxes &amp; Charges</u>				
Franchise Taxes	39,245	113,246	279,641	
March Corrections	44	119	326	
Penalties	3,169	8,437	22,797	4,931
Gross Chargeable to Sheriff	111,447	306,572	801,166	124,942
<u>Credits</u>				
Exonerations	218	597	1,590	457
Discounts	210	618	1,480	3
Delinquent Real Estate	11,157	29,935	80,987	16,721
Delinquent Tangible	400	1,177	2,818	4,508
Total Credits	11,985	32,327	86,875	21,689
Taxes Collected	99,462	274,245	714,291	103,253
Less: Sheriff's Commissions*	4,227	11,656	16,072	4,388
Taxes Due Districts	95,235	262,589	698,219	98,865
Taxes Paid	94,694	261,131	694,287	97,908
Refunds (Current and Prior Year)	539	1,476	3,986	952
Taxes Due Districts (Refund Due Sheriff)	\$ 2	\$ (18)	\$ (54)	\$ 5

\*\*

\* and \*\* See next page.

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



OHIO COUNTY  
ADAM WRIGHT, SHERIFF  
SHERIFF'S SETTLEMENT – 2022 TAXES  
For The Period January 1, 2023 Through August 31, 2023  
(Continued)

\* Commissions:

4.25% on \$ 476,960

2.25% on \$ 714,291

\*\* Special Taxing Districts:

Library District \$ (10)

Health District (3)

Extension District (5)

(Refunds Due Sheriff) \$ (18)

OHIO 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 Ohio 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.

OHIO 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 Ohio 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 5, 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 Ohio County Sheriff earned \$408 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 Ohio County Sheriff collected \$32,206 of 10% add-on fees allowed by KRS 134.119(7). This amount was used to operate the sheriff's office.

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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 David Johnston, Ohio County Judge/Executive  
The Honorable Adam Wright, Ohio County Sheriff  
Members of the Ohio 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 Ohio 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 15, 2024. The Ohio 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 Ohio 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 Ohio County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Ohio 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 Ohio 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 2022-001 and 2022-002.

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

The Ohio 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 Ohio 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 15, 2024



## SCHEDULE OF FINDINGS AND RESPONSES

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OHIO COUNTY  
ADAM WRIGHT, SHERIFF  
SCHEDULE OF FINDINGS AND RESPONSES

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

FINANCIAL STATEMENT FINDINGS:

2022-001 The Ohio County Sheriff's Franchise Tax Settlement Was Materially Misstated

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The sheriff's 2022 franchise tax settlement reported to the Ohio County Fiscal Court was materially understated by \$74,357. This misstatement was due to the sheriff's office omitting a franchise bill that was collected in March 2023 but not disbursed until November 2023. By not including these totals on the sheriff's franchise tax settlement, the financial statement presented to the fiscal court and available to the public was materially incorrect and did not present a fair and accurate representation of the financial status of the 2022 tax collections.

KRS 134.192 directs the sheriff to provide to the fiscal court, a settlement for all taxes collected. Good internal controls dictate that controls be in place to ensure the franchise tax settlement shows all franchise taxes collected by the office. All transactions should be included in the franchise settlement to ensure accurate information is being provided to the taxing districts and to the public.

We recommend that the sheriff's office ensure that all financial activity related to the franchise tax collections are reported on the franchise tax settlement.

*Sheriff's Response: We received payment from the [name redacted] on March 10, 2023 for \$74,357.19. According to the Franchise Bill the amount due was \$74,705.55. I requested that this Franchise Bill to be reviewed by the Ohio County Clerk's Office since I was short \$348.36. After receiving the corrected Franchise Bill from the Clerk's Office, making the amount due \$74,357.19, I then disbursed the funds to the taxing districts in November 2023. We prepare our settlements based off of our monthly disbursement reports.*

2022-002 The Ohio County Sheriff's Office Did Not Turn Over Delinquent Franchise Bills

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The Ohio County Sheriff did not turn over five delinquent franchise bills, totaling \$256,573. This was an oversight by the sheriff's office. By not turning over delinquent tax bills to the county clerk, delinquent tax bills are not being collected and result in less taxes being given to the taxing districts.

*The Property Tax Duties of the Sheriff's Office Manual states, "[d]elinquent franchise property tax bills are transferred to the county clerk's office on the fifteenth day of the fourth month after the initial thirty-day time period allowed for payment has expired." Good internal controls dictate that the sheriff's office ensure proper schedules are followed for all types of property tax bills. Multiple employees should be aware of the tax schedules, including the process of turning over delinquent bills which will help ensure these actions are taken in a timely manner.*

We recommend that all delinquent tax bills be turned over to the clerk's office at the appropriate time.

*Sheriff's Response: All delinquent franchise tax bills will now be turned over to the Ohio County Clerk's Office on the fifteenth day of the fourth month after the initial thirty-day time period allowed for payment has expired.*

OHIO COUNTY  
ADAM WRIGHT, SHERIFF  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Period January 1, 2023 Through August 31, 2023  
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-003 The Ohio County Sheriff's Office Does Not Have Adequate Segregation Of Duties

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The Ohio County Sheriff's Office does not segregate the financial responsibilities between various individuals for the tax collection processes. The bookkeeper is required to perform multiple tasks such as deposit preparation, bookkeeping, bank reconciliations, writing checks for disbursements, and preparing the annual tax settlements. While the sheriff tried to implement compensating controls to help mitigate these risks, these compensating controls were not effective.

According to the sheriff, the lack of segregation of duties is caused by the diversity of operations with a limited number of staff. A lack of segregation of duties or strong oversight increases the risk that errors and fraud could occur and not be detected.

Segregation of duties, or the implementation of compensating controls when limited by the number of staff, is essential for providing protection against the misappropriation of assets and 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 segregate the duties noted above to the extent possible. For those duties that cannot be segregated due to a limited number of staff, we recommend the sheriff implement compensating controls that will mitigate these risks.

*Sheriff's Response: The Ohio County Sheriff's Office works on a small budget which limits our staff size. Sheriff Wright has controls in place that cross trains all office employees and has all financial reports reviewed by two or more employees, other than the bookkeeper, monthly. All bank statements, monthly reports and disbursement checks are reviewed by Sheriff Wright and at least one other tax clerk, other than the bookkeeper, before sending out monthly disbursements. Sheriff Wright has multiple cameras in the tax office for monitoring transactions involving money between the public and employees during the collection process. Sheriff Wright has also transitioned his bookkeeper's office to the back, allowing all other clerks to collect the money first, only allowing the bookkeeper to collect money if she has to go up front to help. This change should help with the monthly disbursements and tax settlements.*

Auditor's Reply: The sheriff should continue to implement compensating controls that will be effective to reduce the risk and issues noted in findings 2022-001 and 2022-002.