

**REPORT OF THE AUDIT OF THE
FORMER PENDLETON COUNTY
SHERIFF'S SETTLEMENT - 2021 TAXES**

**For The Period
April 16, 2021 Through August 31, 2022**



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CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
SHERIFF’S SETTLEMENT - 2021 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

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MIKE HARMON
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 Fields, Pendleton County Judge/Executive
The Honorable Edwin Quinn, Former Pendleton County Sheriff
The Honorable Jared Brewer, Pendleton County Sheriff
Members of the Pendleton County Fiscal Court

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying former Pendleton County Sheriff's Settlement - 2021 Taxes for the period April 16, 2021 through August 31, 2022 - 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 April 16, 2021 through August 31, 2022 of the former Pendleton 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 former Pendleton County Sheriff, for the period April 16, 2021 through August 31, 2022.

Basis for Opinion

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 Guide for Sheriff's 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 former Pendleton County Sheriff and to meet our 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
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Basis for Opinion (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 former Pendleton 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 former Pendleton 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 former Pendleton 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 Fields, Pendleton County Judge/Executive
The Honorable Edwin Quinn, Former Pendleton County Sheriff
The Honorable Jared Brewer, Pendleton County Sheriff
Members of the Pendleton 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 18, 2023, on our consideration of the former Pendleton 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 former Pendleton 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:

- 2021-001 The Former Pendleton County Sheriff's Office Did Not Have Adequate Segregation Of Duties
- 2021-002 The Former Pendleton County Sheriff's Office Did Not Have Adequate Internal Controls Over Prior Year Tax Collection Funds
- 2021-003 The Former Pendleton County Sheriff's Office Did Not Have Adequate Internal Controls Over The Preparation And Billing Of Franchise Bills
- 2021-004 The Former Pendleton County Sheriff's Office Did Not Have Adequate Internal Controls Over Bank Franchise Bills
- 2021-005 The Former Pendleton County Sheriff's Tax Settlement Was Not Accurate And Required Numerous Adjustments

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

April 18, 2023

PENDLETON COUNTY
EDWIN QUINN, FORMER SHERIFF
SHERIFF'S SETTLEMENT - 2021 TAXES

For The Period April 16, 2021 Through August 31, 2022

	County	Special Taxing Districts	School	State
<u>Charges</u>				
Real Estate	\$ 938,728	\$ 2,755,952	\$ 4,052,490	\$ 696,554
Tangible				258,476
Total Per Sheriff's Official Receipt	938,728	2,755,952	4,052,490	955,030
<u>Other Taxes & Charges</u>				
Prior Year Franchise Taxes	5,724	23,480	24,850	
Current Year Franchise Taxes	148,265	511,400	646,403	
Additional Billings	9,772	41,057	42,854	28,560
Limestone, Sand, and Gravel Reserves	7,632	22,890	32,924	5,936
Bank Franchises	38,275			
Penalties	3,197	9,065	13,797	2,775
Gross Chargeable to Sheriff	1,151,593	3,363,844	4,813,318	992,301
<u>Credits</u>				
Exonerations	1,861	5,370	8,028	1,448
Discounts	19,175	56,526	80,723	17,292
Delinquent Real Estate	9,796	27,384	42,256	7,619
Delinquent Tangible	174	620	764	343
Franchise Taxes - Uncollected	5,724	23,480	24,850	
Bank Franchise Taxes - Uncollected	13,128			
Total Credits	49,858	113,380	156,621	26,702
Taxes Collected	1,101,735	3,250,464	4,656,697	965,599
Less: Sheriff's Commissions*	46,824	126,926	139,701	41,038
Taxes Due Districts	1,054,911	3,123,538	4,516,996	924,561
Taxes Paid	1,054,167	3,121,655	4,513,796	924,043
Refunds (Current and Prior Year)	740	1,914	3,195	518
Taxes Due Districts (Refund Due Sheriff)	\$ 4	\$ (31)	\$ 5	\$ 0

**

* and ** See next page.

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

PENDLETON COUNTY
 EDWIN QUINN, FORMER SHERIFF
 SHERIFF'S SETTLEMENT - 2021 TAXES
 For The Period April 16, 2021 Through August 31, 2022
 (Continued)

* Commissions:

4.25% on	\$ 4,458,625
4% on	556,815
3% on	4,656,697
1% on	302,358

** Special Taxing Districts:

Library District	\$ 3
Health District	1
Extension District	(37)
Mental Health	1
North Pendleton Fire District	<u>1</u>

Taxes Due Districts	
(Refund Due Sheriff)	<u><u>(31)</u></u>

PENDLETON COUNTY
NOTES TO FINANCIAL STATEMENT

August 31, 2022

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 former Pendleton 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.

PENDLETON COUNTY
NOTES TO FINANCIAL STATEMENT
August 31, 2022
(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 former Pendleton County Sheriff did not have a deposit policy for custodial credit risk, but rather followed the requirements of the *DLG County Budget Preparation and State Local Finance Officer Policy Manual*. As of August 31, 2022, 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, 2021. Property taxes were billed to finance governmental services for the fiscal year ending June 30, 2022. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 1, 2021 through April 18, 2022.

B. Limestone, Sand, and Gravel Reserves

The limestone, sand, and gravel property tax assessments were levied as of January 1, 2021. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was February 26, 2022 through August 31, 2022.

C. 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 April 16, 2021 through April 18, 2022.

Note 4. Interest Income

The former Pendleton County Sheriff earned \$323 as interest income on 2021 taxes. The former sheriff was in substantial compliance with his statutory responsibilities.

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

The former Pendleton County Sheriff collected \$23,941 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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MIKE HARMON
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 Fields, Pendleton County Judge/Executive
The Honorable Edwin Quinn, Former Pendleton County Sheriff
The Honorable Jared Brewer, Pendleton County Sheriff
Members of the Pendleton 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 former Pendleton County Sheriff's Settlement - 2021 Taxes for the period April 16, 2021 through August 31, 2022 - Regulatory Basis and the related notes to the financial statement and have issued our report thereon dated April 18, 2023. The former Pendleton 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 former Pendleton 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 former Pendleton County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the former Pendleton 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 and other deficiencies that we consider to be significant deficiencies.

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 2021-001 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)

Internal Control Over Financial Reporting (Continued)

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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2021-002, 2021-003, 2021-004, and 2021-005 to be significant deficiencies.

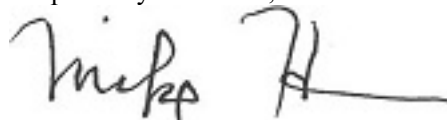
Report on Compliance And Other Matters

As part of obtaining reasonable assurance about whether the former Pendleton 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 2021-002 and 2021-005.

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,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal flourish extending to the right.

Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

April 18, 2023

SCHEDULE OF FINDINGS AND RESPONSES

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PENDLETON COUNTY
EDWIN QUINN, FORMER SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Period April 16, 2021 Through August 31, 2022

FINANCIAL STATEMENT FINDINGS:

2021-001 The Former Pendleton County Sheriff's Office Did Not Have Adequate Segregation Of Duties

This is a repeat finding and was included in the prior year audit report as finding 2020-001. The former sheriff's office did not have adequate segregation of duties over receipts, disbursements, and reconciliations. The former sheriff or his office manager received, processed, and recorded receipts, prepared checks for tax distribution, and posted payments to the disbursements' ledger. The former sheriff reconciled the bank account. According to the former sheriff, due to the office having a small staff, it was very difficult to segregate duties over receipts and disbursements.

Inadequate segregation of duties allows one person to have a significant role in processing and recording receipts and disbursements which could increase the risk that misappropriation of assets and inaccurate financial reporting will occur and be undetected.

Good internal controls dictate that the same employee should not handle, record, and reconcile receipts and disbursements. Segregation of duties over these tasks, or the implementation of compensating controls when limited by staff, is essential for providing protection from asset misappropriation and helping prevent 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 implement internal controls or segregate duties as much as possible. If these duties cannot be segregated due to a limited number of staff or a limited budget, the sheriff could implement compensating controls to offset this control weakness. Examples of compensating controls include:

- The sheriff or independent person could compare daily bank deposit to the daily checkout sheet. This could be documented by having the reviewer initial the deposit slip.
- An independent person could review monthly bank reconciliations prepared by the sheriff. The reviewer could sign or initial the reconciliation to document this review.
- To document delivery of tax payments to the taxing districts, the sheriff could have each taxing district sign and date a sheet.
- Dual signatures could be required on all checks.

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

2021-002 The Former Pendleton County Sheriff's Office Did Not Have Adequate Internal Controls Over Prior Year Tax Collection Funds

The former Pendleton County Sheriff transferred \$1,123 from his 2020 tax collections bank account to his 2021 tax collections account to pay a taxpayer's 2021 tax bill. Also, there were \$477 in 2021 credit card tax receipts deposited in the 2020 tax account that were not transferred to the 2021 tax account and ultimately were turned over to the Pendleton Fiscal Court as part of the 2020 tax unexplained overage.

According to the former sheriff, the taxpayer's 2020 bill was erroneously transferred to the Pendleton County Clerk as delinquent after it was paid by the taxpayer's mortgage company and the payment was misallocated and lost in the tax software. After the former sheriff was made aware of the taxpayer's claim of an erroneous delinquent tax bill in 2020, the former sheriff paid the taxpayer's 2021 tax bill on March 23, 2022. Upon inquiry by the auditor, the former sheriff was not able to locate any documentation to demonstrate the taxpayer's 2020 bill was paid by his mortgage company.

PENDLETON COUNTY
 EDWIN QUINN, FORMER SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Period April 16, 2021 Through August 31, 2022
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-002 The Former Pendleton County Sheriff's Office Did Not Have Adequate Internal Controls Over Prior Year Tax Collection Funds (Continued)

The former sheriff did not open a 2021 tax collection bank account until September 22, 2021 and did not update his credit card processor to deposit 2021 credit card tax receipts into that account until November 11, 2021. This resulted in \$63,283 in 2021 credit card tax receipts being deposited into to the 2020 tax collection bank account. Due to management oversight, only \$62,806 in these funds were transferred to the 2021 tax collection bank account netting a \$477 omission.

By paying a taxpayer's bill in a subsequent period for a potentially erroneous delinquent tax bill, the sheriff was not following the proper procedure for refunding of duplicate payments. Further, by making this payment without sufficient documentation that the 2020 bill was previously paid, the former sheriff may have been negligent in his duties as the Pendleton County tax collector. In addition, by comingling funds between tax collection periods, the former sheriff was unable to properly account for amounts in the correct period.

Strong internal controls dictate oversight and procedures to ensure taxes due are collected and accounted for in the proper period. Further, strong internal controls dictate that refunds of duplicate/overpayments of tax bills be refunded by check from the account from which the duplicate/overpayment was received.

KRS 134.119(1) states, in part, "(a) The sheriff shall be the collector of all state, county, county school district, and other taxing district property taxes unless the payment is directed by law to be made to some other person." Nowhere in this statute or any other statute the auditor is aware of, is a sheriff is authorized to unilaterally discharge a taxpayer's bill or make payment on behalf of a taxpayer with tax collections from a prior period.

KRS 134.160(2) states, in part, "(a) The sheriff shall keep an accurate account of all moneys received and all disbursements made, showing: 1. The amount; 2. The date and time of payment or disbursement; 3. The name of the person making the payment or to whom the disbursement was made; and 4. The account the payment was credited to or the disbursement deducted from."

KRS 134.160(3) states, "[a]ll payments received by the sheriff shall be entered immediately by the sheriff on his or her books. The sheriff may provide a receipt specifying the amount and to what account the payment was credited to the person making the payment."

KRS 134.192(7) states, "[o]n the final settlement, the sheriff shall pay to the county treasurer all money that remains in his or her hands attributable to amounts charged against the sheriff relating to the collection of property taxes, and shall take receipts as provided in KRS 134.160. The sheriff shall pay any additional amounts charged against him or her as a result of the settlements."

PENDLETON COUNTY
 EDWIN QUINN, FORMER SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Period April 16, 2021 Through August 31, 2022
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-002 The Former Pendleton County Sheriff's Office Did Not Have Adequate Internal Controls Over Prior Year Tax Collection Funds (Continued)

We recommend the Pendleton County Sheriff's office strengthen internal controls and management oversight to ensure that tax collection receipts are accounted for in the proper period. This includes and is not limited to the following:

- The sheriff should promptly and accurately record all payments received on his books, including:
 - tax accounting software,
 - daily checkout sheet paperwork with a detailed listing of all tax bills paid, and
 - a receipts ledger.
- The sheriff should pay to the county treasurer any unexplained overage in his tax collection account after settlement, that is not caused by uncleared checks.
- The sheriff should open a tax collection receipts bank account each year immediately after the completion of the prior tax collection period.
- The sheriff should update his bank account information with any credit card or online bill processors for direct deposits.
- The sheriff should obtain and retain documentation from a taxpayer claiming an erroneous delinquent tax bill before accepting the validity of such claim.
- The sheriff should upon the receipt of sufficient documentation validating a claim of an erroneous delinquent tax bill:
 - record the tax bill as paid in the proper period,
 - amend his delinquent tax list, and
 - file an amended delinquent tax list with the county clerk.
- If such claim of an erroneous delinquent tax bill is validated after a taxpayer pays it as delinquent with the county clerk, the sheriff should forward such validating information with the amended tax list to the clerk to process a refund.

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

2021-003 The Former Pendleton County Sheriff's Office Did Not Have Adequate Internal Controls Over The Preparation And Billing Of Franchise Bills

The former Pendleton County Sheriff billed an incorrect amount for an additional 2018 franchise tax bill and failed to send an amended 2018 franchise tax bill. For 2018 additional franchise bill GNC #5180, the county clerk's prepared tax bill was incorrectly calculated as \$14,667 instead of the correct amount of \$17,469. This incorrect additional bill was forwarded to the former sheriff on September 20, 2019. The former sheriff also prepared and sent out an incorrect amount bill of \$14,662 (not matching the clerk's incorrect amount although closely approximating it). The former sheriff failed to catch the mistake on the clerk's bill and return it for recalculation and reprinting.

On September 28, 2020, the Department of Revenue sent an amended certification for 2018 GNC #5180 to the Pendleton County Clerk. On October 22, 2020, the county clerk prepared an amended bill, using the erroneous information from the prior additional bill and making additional errors in calculation of the amended amounts, resulting in an incorrectly billed amount of \$189,366 versus the correct amount of \$54,054. The former sheriff has no record of receiving or mailing out this amended bill. The county clerk has no signed receipt of this bill from the former sheriff.

PENDLETON COUNTY
 EDWIN QUINN, FORMER SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Period April 16, 2021 Through August 31, 2022
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-003 The Former Pendleton County Sheriff's Office Did Not Have Adequate Internal Controls Over The Preparation And Billing Of Franchise Bills

By not verifying the accuracy of the county clerk's additional bill, the former sheriff billed and collected incorrect amounts. By not billing the amended bill, the former sheriff failed to collect amounts due to districts within his jurisdiction.

Strong internal controls dictate oversight and procedures to ensure the correct amounts are being billed and all bills are being mailed for franchise taxes.

KRS 136.180(1) states, in part, "...the department shall immediately certify, unless otherwise specified, to the county clerk of each county in which any of the operating property or nonoperating tangible property assessment of the corporation is liable to local taxation, the amount of property liable for county, city, or district tax."

KRS 136.180(5) states, in part, "[t]he certification of valuation shall be filed by each county clerk in his office, and shall be certified by the county clerk to the proper collecting officer of the county, city, or taxing district for collection."

KRS 134.119(1) states, in part, "(a) The sheriff shall be the collector of all state, county, county school district, and other taxing district property taxes unless the payment is directed by law to be made to some other person."

We recommend the Pendleton County Sheriff's office strengthen internal controls and management oversight to ensure that all franchise tax bills are accurate and collected.

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

2021-004 The Former Pendleton County Sheriff's Office Did Not Have Adequate Internal Controls Over Bank Franchise Bills

The Pendleton County Fiscal Court has elected to institute an optional bank franchise tax. For 2021, one of the bank franchise bills in the amount of \$13,128 was not collected. Due to management oversight, this bank franchise tax was not properly handled. The Department of Revenue sends the bank franchise tax assessments to the Pendleton County Treasurer. The treasurer prepares the bank franchise tax bills and sends them directly to the bank and forwards a copy to the sheriff's office. These bills are paid to the sheriff's office which then disburses these receipts less commission. For 2021, this uncollected bill was not followed-up on by the former sheriff's office or fiscal court until it was brought to their attention by the former sheriff's 2021 tax collection auditor. By not following up on unpaid bank franchise bills, the former sheriff was not effectively executing his role as the county tax collector and potentially resulting in a loss of revenue for the fiscal court.

Strong internal controls dictate oversight and procedures to ensure bank franchise bills are collected.

KRS 134.119(1) states, in part, "(a) The sheriff shall be the collector of all state, county, county school district, and other taxing district property taxes unless the payment is directed by law to be made to some other person."

PENDLETON COUNTY
EDWIN QUINN, FORMER SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Period April 16, 2021 Through August 31, 2022
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-004 The Former Pendleton County Sheriff's Office Did Not Have Adequate Internal Controls Over Bank Franchise Bills (Continued)

KRS 136.575(2) states, in part, "[c]ounties, cities, and urban-county governments may impose a franchise tax on financial institutions measured by the deposits in the institutions located within the jurisdiction of the county, city, or urban-county government at a rate not to exceed twenty-five thousandths of one percent (0.025%) of the deposits if imposed by counties and cities and at a rate not to exceed fifty thousandths of one percent (0.050%) of the deposits if imposed by urban-county governments."

We recommend the Pendleton County Sheriff's office strengthen internal controls and management oversight to ensure that all bank franchise tax bills are collected.

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

2021-005 The Former Pendleton County Sheriff's Tax Settlement Was Not Accurate And Required Numerous Adjustments

The former Pendleton County Sheriff prepared and submitted an inaccurate 2021 tax settlement to the Pendleton County Fiscal Court. The former sheriff had errors resulting in \$60,003 in charges being omitted and \$67,038 in credits being omitted. The former sheriff did not have adequate internal controls in place to ensure accurate financial reporting on his settlement and did not accurately record all receipts and disbursements.

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. The settlement shall show the amount of ad valorem tax collected for the county, the school district, and all taxing districts, and an itemized statement of the money disbursed to or on behalf of the county, the school district, and all taxing districts."

We recommend the Pendleton County Sheriff's office strengthen internal controls and management oversight to ensure that the annual tax settlement is accurate.

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