

**REPORT OF THE AUDIT OF THE
BRECKINRIDGE COUNTY
SHERIFF'S SETTLEMENT - 2016 TAXES**

**For The Period
April 16, 2016 Through April 17, 2017**



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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

The Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

The Honorable Maurice D. Lucas, Breckinridge County Judge/Executive

The Honorable Todd Pate, Breckinridge County Sheriff

Members of the Breckinridge County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the Breckinridge County Sheriff's Settlement - 2016 Taxes for the period April 16, 2016 through April 17, 2017 - Regulatory Basis, and the related notes to the financial statement.

Management's Responsibility 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 as described in Note 1. 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 Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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*, issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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To the People of Kentucky

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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 Breckinridge 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, 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.

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 paragraph, the financial statement referred to above 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 Breckinridge County Sheriff, for the period April 16, 2016 through April 17, 2017.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the taxes charged, credited, and paid for the period April 16, 2016 through April 17, 2017 of the Breckinridge County Sheriff, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2018, on our consideration of the Breckinridge 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 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 Breckinridge County Sheriff's internal control over financial reporting and compliance.

To the People of Kentucky

The Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

The Honorable Maurice D. Lucas, Breckinridge County Judge/Executive

The Honorable Todd Pate, Breckinridge County Sheriff

Members of the Breckinridge County Fiscal Court

Other Reporting Required by *Government Auditing Standards* (Continued)

Based on the results of our audit, we have presented the accompanying Schedule of Findings and Responses, included herein, which discusses the following report comments:

- 2016-001 The Sheriff Did Not Ensure Documentation Was Complete For Waivers Of Tax Penalties
- 2016-002 The Sheriff Did Not Adequately Segregate Duties Or Provide Sufficient Oversight To Ensure An Accurate Tax Settlement Process For Tax Year 2016
- 2016-003 The Sheriff Did Not Have Sufficient Policies And Procedures Or Internal Controls Over Fire Dues "Opt-Out" Process

Respectfully submitted,

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

Mike Harmon

Auditor of Public Accounts

March 5, 2018

BRECKINRIDGE COUNTY
TODD PATE, SHERIFF
SHERIFF'S SETTLEMENT - 2016 TAXES

For The Period April 16, 2016 Through April 17, 2017

<u>Charges</u>	County Taxes	Special Taxing Districts	School Taxes	State Taxes
Real Estate	\$ 969,143	\$ 2,058,499	\$ 4,597,837	\$ 1,046,331
Tangible Personal Property	51,300	82,433	209,585	135,931
Fire Protection	2,969			
Increases Through Exonerations	12	16	51	266
Franchise Taxes	129,900	204,257	556,680	
Additional Billings	568	939	2,327	572
Oil and Gas Property Taxes	5,500	8,323	25,895	5,938
Limestone, Sand and Mineral Reserves	883	1,336	4,156	953
Bank Franchises	65,792			
Penalties	4,777	9,919	22,661	5,205
Adjusted to Sheriff's Receipt	(49)	(1,155)	(163)	(84)
 Gross Chargeable to Sheriff	 <u>1,230,795</u>	 <u>2,364,567</u>	 <u>5,419,029</u>	 <u>1,195,112</u>
 <u>Credits</u>				
Exonerations	1,647	218,061	7,798	1,812
Discounts	19,040	32,653	82,961	20,173
Delinquents:				
Real Estate	14,048	40,066	66,680	15,142
Tangible Personal Property	1,154	1,830	4,686	1,938
 Total Credits	 <u>35,889</u>	 <u>292,610</u>	 <u>162,125</u>	 <u>39,065</u>
 Taxes Collected	 1,194,906	 2,071,957	 5,256,904	 1,156,047
Less: Commissions *	<u>50,784</u>	<u>88,058</u>	<u>210,276</u>	<u>49,132</u>
 Taxes Due	 1,144,122	 1,983,899	 5,046,628	 1,106,915
Taxes Paid	1,143,234	1,982,129	5,043,175	1,105,620
Refunds (Current and Prior Year)	<u>928</u>	<u>1,741</u>	<u>4,337</u>	<u>1,331</u>
 Due Districts or (Refunds Due Sheriff) as of Completion of Audit	 <u>\$ (40)</u>	 <u>\$ 29</u>	 <u>\$ (884)</u>	 <u>\$ (36)</u>
		**	***	

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

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

BRECKINRIDGE COUNTY
TODD PATE, SHERIFF
SHERIFF'S SETTLEMENT - 2016 TAXES
For The Period April 16, 2016 Through April 17, 2017
(Continued)

* Commissions:	
4.25% on	\$ 4,422,910
4% on	\$ 5,256,904
** Special Taxing Districts:	
Library District	\$ (27)
Health District	(8)
Extension District	(13)
Soil Conservation	(3)
Stephensport Fire	38
McDaniels Fire	(37)
McQuady Fire	(38)
Cloverport Fire	1
Hardinsburg Fire	78
Harned Fire	<u>38</u>
Due Districts or (Refunds Due Sheriff)	<u>\$ 29</u>
*** School Taxing Districts:	
Breckinridge County School	\$ (159)
Cloverport Independent School	<u>(725)</u>
(Refunds Due Sheriff)	<u>\$ (884)</u>

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

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENT

April 17, 2017

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).

Note 2. Deposits

The Breckinridge County Sheriff maintained deposits of public funds with depository institutions insured by the FDIC as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC 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.

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 Breckinridge County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of April 17, 2017, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

BRECKINRIDGE COUNTY
 NOTES TO FINANCIAL STATEMENT
 April 17, 2017
 (Continued)

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2016. Property taxes were billed to finance governmental services for the fiscal year ended June 30, 2017. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 3, 2016 through April 17, 2017.

B. Oil and Gas Property Taxes

The oil and gas property tax assessments were levied as of January 1, 2016. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 16, 2016 through May 17, 2017.

C. Limestone, Sand, and Gravel Property Taxes

The limestone, sand, and gravel property tax assessments were levied as of January 1, 2016. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 16, 2016 through May 17, 2017.

D. Franchise Taxes

The franchise tax assessments were levied by the Department of Revenue for various tax years. Property 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, 2016 through April 17, 2017.

Note 4. Interest Income

The Breckinridge County Sheriff earned \$737 as interest income on 2016 taxes. The sheriff was in substantial compliance with his statutory responsibilities.

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

The Breckinridge County Sheriff collected \$33,898 of 10% add-on fees allowed by KRS 134.119(7). This amount was used to operate the sheriff's office. As of March 5, 2018, the sheriff owed \$67 in 10% add-on fees to his fee account.

Note 6. Unrefundable Duplicate Payments And Unexplained Receipts

The sheriff deposited unrefundable duplicate payments and unexplained receipts in a non-interest-bearing account. The sheriff's escrowed amounts were as follows:

2013	\$1,709
2014	\$1,066

KRS 393.090 states that if the funds have not been claimed after three years, they are presumed abandoned. Abandoned funds are required to be sent to the Kentucky State Treasurer pursuant to KRS 393.110 and its accompanying regulations.

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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

The Honorable Maurice D. Lucas, Breckinridge County Judge/Executive
The Honorable Todd Pate, Breckinridge County Sheriff
Members of the Breckinridge County Fiscal Court

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

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 Breckinridge County Sheriff's Settlement - 2016 Taxes for the period April 16, 2016 through April 17, 2017 - Regulatory Basis and the related notes to the financial statement and have issued our report thereon dated March 5, 2018. The Breckinridge 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Breckinridge County Sheriff's internal control over financial reporting (internal control) to determine the 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 Breckinridge County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Breckinridge 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 over financial reporting 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 another deficiency that we consider to be a significant deficiency.

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 2016-003 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 deficiency described in the accompanying Schedule of Findings and Responses as item 2016-002 to be a significant deficiency.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Breckinridge County Sheriff's financial statement is free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2016-001.

Views of Responsible Official and Planned Corrective Action

The Breckinridge County Sheriff's views and planned corrective action the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The 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,



Mike Harmon
Auditor of Public Accounts

March 5, 2018

SCHEDULE OF FINDINGS AND RESPONSES

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BRECKINRIDGE COUNTY
TODD PATE, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Period April 16, 2016 Through April 17, 2017

STATE LAWS AND REGULATIONS:

2016-001 The Sheriff Did Not Ensure Documentation Was Complete For Waivers Of Tax Penalties

During the current period, there were 79 tax bills which had penalties removed during the months of February, March, and April. Of those 79 tax bills, 23 did not have either a penalty waiver form or a postmarked envelope to justify removing these penalties. Two penalty waiver forms were not signed by the sheriff. Three bills had the penalties removed due to “postmark,” but the sheriff failed to maintain the postmarked envelopes.

The sheriff has not implemented a documentation and approval process for waiver requests; it appears that prior to the 2016 tax collections, waiver forms had never been used. According to the former bookkeeper and former office clerk, they were not aware of this requirement until the performance of the 2014 Sheriff’s Tax Settlement Audit.

The effect of this is that some waivers have been granted without sufficient documentation. By not using a waiver form that documents why the penalties are being waived, the sheriff allowed some taxpayers that did not pay during the discount or face amount period to pay at a discount or without paying penalties as required by law.

The Kentucky Department of Revenue has prepared guidelines stating that reasonable cause as provided for in KRS 131.175 should be used for the waiver of penalties. Under these guidelines, when a tax bill is payable to the sheriff’s office, the sheriff may waive the penalties that have been added whenever reasonable cause has been demonstrated. The guidelines require that a form documenting the reasons for waivers of penalties be prepared and signed when such action is taken. The original form should remain on file in the sheriff’s office.

We recommend the sheriff maintain sufficient documentation for all waivers of penalties.

Sheriff’s Response: As the new office manager since July 1, 2017, I and the Sheriff are working closely together on the penalty waiver process and to ensure all waivers are maintained, documented, and signed properly by the Sheriff. All waivers of tax penalties for the 2017 tax year will be properly signed by the Sheriff for his approval.

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY:

2016-002 The Sheriff Did Not Adequately Segregate Duties Or Provide Sufficient Oversight To Ensure An Accurate Tax Settlement Process For Tax Year 2016

This is a repeat finding and was included in the prior year audit report as finding 2015-002. During the 2016 tax collections, the former bookkeeper accepted tax payments, recorded taxes paid, prepared daily deposits, prepared monthly tax reports, prepared monthly disbursement checks, and co-signed monthly disbursement checks. There was no documented review or approval by another individual to provide evidence of oversight. There were also numerous errors noted in the settlement, including:

- The incorrect tangible multiplier rate was used for the county on one franchise bill. There were various other tangible tax calculation errors for the remaining tax districts on the same tax bill.
- March and April add-on fees from oil collections were paid out to the taxing districts.
- The bank did not image backs of cancelled checks.
- There was not a documented reconciliation of tax (property, franchise, and money market) accounts to the tax (property, franchise, and money market) bank statements.

BRECKINRIDGE COUNTY
 TODD PATE, SHERIFF
 COMMENTS AND RECOMMENDATIONS
 For The Period April 16, 2016 Through April 17, 2017
 (Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY: (Continued)

2016-002 The Sheriff Did Not Adequately Segregate Duties Or Provide Sufficient Oversight To Ensure An Accurate Tax Settlement Process For Tax Year 2016 (Continued)

The sheriff has not provided sufficient oversight of the tax settlement process to ensure all taxes collected are recorded and disbursed accurately. Most of the errors could have been prevented or detected if the sheriff had developed standard policies and procedures for the tax settlement process based on requirements documented in state statutes and the *Property Tax Duties of the Sheriff's Office* manual provided by the Office of Property Valuation.

The lack of oversight could result in misappropriation of assets or inaccurate financial reporting to external agencies such as the Department for Local Government and taxing districts. Additionally, the risk of undetected errors and fraud increases.

Proper segregation of duties over receipts and disbursements is essential for providing protection of asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. Good internal controls dictate that management be sufficiently involved in the day to day operations to ensure internal controls are in place and working to prevent and detect errors and fraud. Policies and procedures should be developed to ensure identify and address routine tax settlement issues.

We recommend the sheriff become sufficiently familiar with the tax settlement processing to be able to identify areas where policies and procedures are lacking and where internal controls should be strengthened. The sheriff should ensure sufficient records are maintained and that staff responsible for this activity understand the complexities of the tax settlement process. The sheriff should seek additional training and guidance if necessary. Additionally, we recommend the following compensating controls be implemented to offset the lack of segregation of duties:

- The sheriff could require an employee that does not accept tax payments to prepare the bank reconciliation. The sheriff should compare the bank reconciliation to the balance in the checkbook and any differences should be reconciled. The sheriff should document his oversight by initialing the bank reconciliation and the balance in the checkbook.
- The sheriff could compare total tax collections per the monthly reports to the total of the monthly disbursement checks. Any discrepancies should be resolved and the review should be documented by initialing and dating the monthly reports.

Sheriff's Response: The previous office manager who retired June 30, 2017 implemented additional segregation of duties during the first half of 2017. The previous warrant clerk retired July 31, 2017 and the previous account clerk retired December 31, 2017. The office is working with an all new staff for the 2017 tax year. Additional segregation and documentation of duties have been implemented. Although there are few office employees to segregate duties, efforts are being taken to ensure a standard process of duties and that they are overseen to prevent any possible misappropriation of tax receipts. Procedures are being implemented in segregation to help ensure no one person has complete control over handling and receipting monies received in the Sheriff's office. Also, efforts are being made for the Sheriff to review transactions and reports to have more oversight in the tax collection process and reporting.

BRECKINRIDGE COUNTY
 TODD PATE, SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Period April 16, 2016 Through April 17, 2017
 (Continued)

INTERNAL CONTROL - MATERIAL WEAKNESS:

2016-003 The Sheriff Did Not Have Sufficient Policies And Procedures Or Internal Controls Over Fire Dues
 "Opt-Out" Process

This is a repeat finding and was included in the prior year audit report as finding 2015-001. According to Breckinridge County Fiscal Court Ordinance 2011-0314, taxpayers can choose not to pay membership charges/subscriber fees (fire dues) by completing a form to "Opt-Out" of Breckinridge County fire department membership charges/subscriber fees and providing the completed form to the sheriff when they pay their tax bill each year. The form should be completed and maintained on file by the sheriff to document the fire dues that were removed from tax bills. Auditors examined 353 "Opt-Out" forms, of which, 22 were not signed by taxpayers.

According to the bookkeeper, there are instances when taxpayers refuse to sign the "Opt-Out" forms or they are mailed in without signatures.

Six percent of "Opt-Out" forms were not properly signed by taxpayers who were given credit for unpaid fire dues. Because the forms are not properly signed, they do not constitute the required documentation for credit of unpaid fire dues.

Good internal controls require clear policies and procedures to address the process and documentation of removing "opted-out" fire dues from a tax bill. Additionally, Breckinridge County Ordinance 2011-0314 states "In order to delete any parcel(s) or property from membership charges/subscriber fees, the owner shall, upon payment of his property taxes, and no later than the date the Breckinridge County Sheriff files the delinquent tax claims in the Breckinridge County Clerk's Office, pursuant to Chapter 134 of KRS, for any particular tax year, provide a statement to the Breckinridge County Sheriff's Office (on form titled "Notice of Subscriber Fee Non Payment") that contains the following:

- a. Name of owner including mailing address.
- b. Name of the fire department servicing the parcel.
- c. Parcel number from tax bill.
- d. A statement will be provided on the form that in lieu of subscriber fees the owner will be responsible for charges for fire protection service or other emergency per state law.
- e. Signature of subscriber/property owner."

We recommend the sheriff implement sufficient internal controls to ensure accurate processing of fire dues "opt-outs." The sheriff should develop standardized policies and procedures for staff to follow, including:

- Maintaining properly completed "opt-out" forms for each taxpayer (including taxpayer signature);
- Limiting the ability to adjust tax bills for the "opt-out" to designated personnel; and
- Periodic reviewing or spot-checking of "opt-out" credits against the "opt-out" forms.

Sheriff's Response: The previous office manager who retired on June 30, 2017 implemented additional improvements in 2016 to process fire department dues opt out forms to abide by the confines of the county ordinance. These forms created much more work to the property tax collection process on a small staff during an already busy time of year in order to properly account for fire dues on each tax bill. We are working to both maintain proper opt out records and get each taxpayer to understand why they must sign the form to have fire dues removed from their bill. For 2017, we are reviewing opt out forms at the end of each month's collections to try to ensure that all are signed and obtained. We continue to work on solutions to document for ourselves and ease the burden on the taxpayers.