



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2017 taxes for Green County Sheriff Robert Beard. State law requires the auditor to annually audit the accounts of each county sheriff. In compliance with this law, the auditor issues two sheriff's reports each year: one reporting on the audit of the sheriff's tax account, and the other reporting on the audit of the fee account used to operate the office.

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

The sheriff's financial statement fairly presents the taxes charged, credited and paid for the period April 18, 2017 through April 16, 2018 in conformity with the regulatory basis of accounting.

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

The audit contains the following comments:

The Green County Sheriff's Office lacks adequate segregation of duties over receipts, disbursements, and reconciliations: This is a repeat finding and was included in the prior year audit report as Finding 2016-001. The sheriff's bookkeeper collects payments from customers, prepares the daily tax collection journals, the monthly tax reports, the deposits, the receipts and disbursement ledgers, and the monthly bank reconciliations. The bookkeeper also takes the

deposits to the bank, prepares checks for payment to districts, and signs the checks. No documented oversight was performed over these functions.

The lack of segregation occurs because the sheriff has failed to segregate incompatible duties or implement oversight duties when duties cannot be segregated. The lack of segregation of duties increases the risk of misappropriation of assets, errors, and inaccurate financial reporting.

Segregation of duties over collecting taxes, preparing daily deposits, preparing monthly reports, and preparing disbursements is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the sheriff separate the duties of collecting taxes, preparing daily deposits, preparing and mailing disbursements, preparing bank reconciliations, preparing receipts and disbursements ledgers, and preparing financial reports. If these duties cannot be segregated due to limited staff or limited budget, then strong oversight should be provided to the employee responsible for these duties. The sheriff should document these compensating controls by initialing the source documents and requiring two signatures on checks with one being the sheriff.

Sheriff's Response: Office clerk has been hired.

The Green County Sheriff did not review franchise tax bills prepared by county clerk for accuracy: The sheriff mailed 11 franchise tax bills prepared by the county clerk without reviewing them for accuracy. Two franchise bills were for a commercial airline company and are allowed a tangible multiplier for each tax bill of which the county clerk failed to apply. Nine franchise bills were billed using 2015 tax rates and should have been billed using 2016 tax rates.

This occurred because the sheriff has not developed and implemented controls over the review of franchise tax bills prepared by the county clerk. As a result, the franchise companies overpaid by \$8,337 and sheriff owes the companies a refund of the overpayment of taxes.

The development and implementation of good internal controls over reviewing franchise bills prepared by the county clerk is essential to ensuring that franchise companies do not underpay or overpay taxes.

We recommend the sheriff review all franchise tax bills prepared by the county clerk for accuracy and make the necessary corrections before mailing to the franchise company. We also recommend a refund for overpayment of taxes be paid to the franchise companies.

Sheriff's Response: Office clerk has been hired.

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

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

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