



Auditor of Public Accounts
Mike Harmon

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Contact: **Michael Goins**
Michael.Goins@ky.gov
502.564.5841
502.209.2867

Harmon Releases Audit of Interim Henry County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2018 taxes for interim Henry County Sheriff Deeanne West. 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 interim 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 interim sheriff's settlement is prepared on the regulatory basis, which is described in the auditor's opinion letter. Regulatory basis reporting for the interim sheriff's settlement is an acceptable reporting methodology, and this reporting methodology is followed for all 120 sheriff settlements in Kentucky.

The interim sheriff's financial statement fairly presents the taxes charged, credited and paid for the period October 1, 2018 through January 6, 2019 in conformity with the regulatory basis of accounting.

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

The audit contains the following comment:

The interim sheriff failed to have a written agreement in place to ensure deposits were sufficiently collateralized: The interim sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). The interim sheriff did not have a written security agreement in place to pledge or provide sufficient collateral.

On January 6, 2019, the interim sheriff's deposits of public funds were uninsured and unsecured in the amount of \$8,936.

Due to management oversight, the interim sheriff did not obtain a written collateral security agreement in place to pledge or provide sufficient collateral as required. The interim sheriff's deposits would have been at risk on January 6, 2019 should the financial institution have failed.

The sheriff's office maintained deposits of public funds with federally insure institutions as required by the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer 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 not met, because the interim sheriff did not have a written agreement with the bank.

We recommend that the sheriff's office enter into a written agreement with the depository institution to secure the sheriff's interest in the collateral pledged or provided by the depository institution.

Interim County Sheriff's Response: Banks have been notified and current sheriff has agreements in place.

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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