

**REPORT OF THE AUDIT OF THE
OHIO COUNTY
SHERIFF'S SETTLEMENT - 2015 TAXES**

**For The Period
April 17, 2015 Through April 15, 2016**



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EXECUTIVE SUMMARY
AUDIT OF THE
OHIO COUNTY
SHERIFF'S SETTLEMENT - 2015 TAXES

For The Period
April 17, 2015 Through April 15, 2016

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2015 Taxes for the Ohio County Sheriff for the period April 17, 2015 through April 15, 2016. We have issued an unmodified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The sheriff collected 2015 taxes of \$8,314,370 for the districts, retaining commissions of \$261,951 to operate the sheriff's office. The sheriff distributed 2015 taxes of \$8,030,356 to the districts. Taxes of \$412 are due to the districts from the sheriff and refunds of \$232 are due to the sheriff from the taxing districts.

Report Comments:

- 2015-001 The Sheriff's Office Lacks Adequate Segregation Of Duties
- 2015-002 The Sheriff Does Not Have Sufficient Internal Controls Or Policies And Procedures In Place For Reconciling And Settling The Tax Account
- 2015-003 The Sheriff Has Poor Internal Controls Over Franchise Tax Collections
- 2015-004 The Sheriff Did Not Pay Interest To The Board Of Education Or County Treasurer
- 2015-005 The Sheriff's Office Had Undeposited Receipts Of \$425

Deposits:

The sheriff's deposits were insured and collateralized by bank securities.

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
Honorable David Johnston, Ohio County Judge/Executive
Honorable Tracy Beatty, Ohio County Sheriff
Members of the Ohio County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the Ohio County Sheriff's Settlement - 2015 Taxes for the period April 17, 2015 through April 15, 2016 - 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.



To the People of Kentucky
Honorable Matthew G. Bevin, Governor
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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 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, 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 Ohio County Sheriff, for the period April 17, 2015 through April 15, 2016.

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 17, 2015 through April 15, 2016 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2017 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 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.

To the People of Kentucky
Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
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Honorable Tracy Beatty, Ohio County Sheriff
Members of the Ohio County Fiscal Court

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

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

- 2015-001 The Sheriff's Office Lacks Adequate Segregation Of Duties
- 2015-002 The Sheriff Does Not Have Sufficient Internal Controls Or Policies And Procedures In Place For Reconciling And Settling The Tax Account
- 2015-003 The Sheriff Has Poor Internal Controls Over Franchise Tax Collections
- 2015-004 The Sheriff Did Not Pay Interest To The Board Of Education Or County Treasurer
- 2015-005 The Sheriff's Office Had Undeposited Receipts Of \$425

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

March 1, 2017

OHIO COUNTY
TRACY BEATTY, SHERIFF
SHERIFF'S SETTLEMENT - 2015 TAXES

For The Period April 17, 2015 Through April 15, 2016

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 459,901	\$ 928,051	\$ 3,273,414	\$ 825,117
Tangible Personal Property	129,272	258,467	910,480	917,583
Fire Protection	6,789			
Increases Through Exonerations	50	100	357	376
Franchise Taxes	67,878	135,588	483,141	
Additional Billings	52	105	372	223
Oil Property Taxes	5,229	10,451	37,220	9,382
Limestone, Sand and Gravel Reserves	236	471	1,678	423
Bank Franchises	71,897			
Prior Year Bank Franchises	17,128			
Penalties	2,939	5,912	20,756	5,465
Adjusted to Sheriff's Receipt	(305)	(459)	(274)	(111)
Gross Chargeable to Sheriff	<u>761,066</u>	<u>1,338,686</u>	<u>4,727,144</u>	<u>1,758,458</u>
 <u>Credits</u>				
Exonerations	2,924	5,845	20,808	4,860
Discounts	9,854	16,936	59,749	22,452
Delinquents:				
Real Estate	10,357	20,792	73,198	18,451
Tangible Personal Property	136	273	970	671
Franchise Taxes - Uncollected	270	517	1,921	
Total Credits	<u>23,541</u>	<u>44,363</u>	<u>156,646</u>	<u>46,434</u>
Taxes Collected	737,525	1,294,323	4,570,498	1,712,024
Less: Commissions *	<u>31,345</u>	<u>55,009</u>	<u>102,836</u>	<u>72,761</u>
Taxes Due	706,180	1,239,314	4,467,662	1,639,263
Taxes Paid	704,203	1,235,580	4,453,579	1,636,994
Refunds (Current and Prior Year)	<u>1,943</u>	<u>3,910</u>	<u>13,835</u>	<u>2,195</u>
Due Districts or (Refund Due Sheriff) as of Completion of Audit	<u>\$ 34</u>	<u>\$ (176)</u>	<u>\$ 248</u>	<u>\$ 74</u>

**

* and ** See next page.

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

OHIO COUNTY
TRACY BEATTY, SHERIFF
SHERIFF'S SETTLEMENT - 2015 TAXES
For The Period April 17, 2015 Through April 15, 2016
(Continued)

* Commissions:

4.25% on \$ 3,743,872

2.25% on \$ 4,570,498

** Special Taxing Districts:

Library District	\$	37
Health District		19
Extension District		(224)
Caney Creek Watershed District		<u>(8)</u>

Due Districts or

(Refunds Due Sheriff) \$ (176)

OHIO COUNTY
NOTES TO FINANCIAL STATEMENT

April 15, 2016

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 Ohio County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (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 Ohio 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 15, 2016, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

OHIO COUNTY
NOTES TO FINANCIAL STATEMENT
April 15, 2016
(Continued)

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2015. Property taxes were billed to finance governmental services for the fiscal year ended June 30, 2016. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 14, 2015 through April 15, 2016.

Note 4. Interest Income

The Ohio County Sheriff earned \$642 as interest income on 2015 taxes. As of March 1, 2017, the sheriff owed \$42 in interest to the school district and \$55 in interest to his fee account.

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

The Ohio County Sheriff collected \$30,126 of 10% add-on fees allowed by KRS 134.119(7). This amount was used to operate the sheriff's office. As of March 1, 2017, the sheriff owed \$76 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 an interest-bearing account. The sheriff's escrowed amounts were as follows:

2013	\$214
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KRS 393.090 states that after three years, if the funds have not been claimed, 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*



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable David Johnston, Ohio County Judge/Executive
Honorable Tracy Beatty, Ohio County Sheriff
Members of the Ohio 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 Ohio County Sheriff's Settlement - 2015 Taxes for the period April 17, 2015 through April 15, 2016 - Regulatory Basis and the related notes to the financial statement and have issued our report thereon dated March 1, 2017. 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.

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) 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 Ohio County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Ohio County Sheriff's internal control over financial reporting.

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 comments and recommendations, 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 comments and recommendations as items 2015-001, 2015-002, and 2015-003 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)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Ohio 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying comments and recommendations as items 2015-003, 2015-004, and 2015-005.

Sheriff's Responses to Findings

The Ohio County Sheriff's responses to the findings identified in our audit are described in the accompanying comments and recommendations. 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 1, 2017

COMMENTS AND RECOMMENDATIONS

OHIO COUNTY
TRACY BEATTY, SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Period April 17, 2015 Through April 15, 2016

FINANCIAL STATEMENT FINDINGS:

2015-001 The Sheriff's Office Lacks Adequate Segregation Of Duties

The Ohio County Sheriff's office lacks segregation of duties. The bookkeeper is required to perform multiple tasks such as the collection of cash from customers, deposit preparation, bookkeeping, bank reconciliations, and the preparation of checks for disbursements. The lack of segregation of duties in the sheriff's office is due to a limited number of staff and the diversity of operations. Segregation of duties over these tasks and cross-training deputies, when needed because the number of staff is limited, is essential to providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties and cross-training deputies protects employees in the normal course of performing their daily responsibilities. Good internal controls dictate that the collection of receipts, disbursing of cash, purchasing authority, recording of transactions, and bank reconciling duties be segregated.

To adequately protect against the misappropriation of assets and inaccurate financial reporting, we recommend the sheriff segregate the duties noted above and cross-train deputies to accommodate the rotation of these functions. Proper segregation of duties includes separating the duties of collecting cash, depositing receipts, posting to receipts and disbursements ledgers, bank reconciliations, and preparing reports. If segregation of these duties is not feasible, the sheriff should designate another person to provide knowledgeable oversight of the employee responsible for the incompatible duties and to document oversight. Knowledgeable oversight would necessitate an understanding of and ability to perform those same duties if the bookkeeper were absent.

Sheriff's Response: Additional measures have been implemented to ensure oversight of the tax office including installation of a camera system. The system includes cameras over each cash drawer and the safe. Each clerk is responsible for their own drawer, including locking it when unattended. These measures will help security in the office.

The bookkeeper has cross-trained two other clerks in the office to do the daily reconciliation and preparation of deposits to help with the segregation of duties.

Unfortunately, the only method to resolve this issue is to hire additional personnel in the tax office. As this is not financially feasible, every effort is made to ensure controls are in place to limit the risks identified.

2015-002 The Sheriff Does Not Have Sufficient Internal Controls Or Policies And Procedures In Place For Reconciling And Settling The Tax Account

We reviewed the sheriff's tax settlement and bank statements and noted the following control deficiencies:

- A credit card payment deposited into the bank account was not posted to the tax accounting software timely and credit card payments were not reconciled regularly to ensure all payments were posted accurately.
- Exonerations were not reconciled and one exoneration was applied to a tax bill twice.
- Deposits were not prepared properly. Auditors tested deposits made from October 26, 2015 through October 31, 2015. During this time period, six deposits were made in total and three of the six deposits were corrected by the bank. Auditors also noted multiple deposit corrections on the bank statements in subsequent months.
- Bank reconciliations are not done properly. Reconciliations were performed by the bookkeeper; however, the bookkeeper did not account for outstanding liabilities.

OHIO COUNTY
 TRACY BEATTY, SHERIFF
 COMMENTS AND RECOMMENDATIONS
 For The Period April 17, 2015 Through April 15, 2016
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-002 The Sheriff Does Not Have Sufficient Internal Controls Or Policies And Procedures In Place For Reconciling And Settling The Tax Account (Continued)

The sheriff's office does not have policies and procedures in place to ensure all receipts are accounted for by reconciling the daily deposits, bank statements, credit card payments, and exonerations to the tax accounting software. Without these policies and procedures, the risk of misstatements in reconciling of receipts and disbursements significantly increases due to error or fraud.

Strong internal controls and proper accounting procedures dictate that all receipts and disbursements should be accounted for, maintained with supporting documentation, and reconciled to the bank accounts. A sheriff's tax settlement account should balance to zero every year, as all funds received are paid out to districts or to the sheriff's fee account in the form of commissions, penalties, and interest. Monthly bank reconciliations are essential to detect any errors made the previous month, payments not posted to the tax accounting system, or credit card payment issues. We recommend the sheriff improve internal controls and implement policies and procedures over reconciling and settling the tax account.

Sheriff's Response: All credit card payments are now reviewed daily instead of weekly as the software did not post automatically to the system. The software administrators have assured that the payments made online will be automatically posted to the system on a daily basis for future years.

The bookkeeper now reconciles all exonerations.

The deposit differences tested from October 26, 2015 to October 31, 2015 were corrected by the bank due to the difference in what was numerically written on a check versus what was written on the line of the a check. For example: a tax bill may be \$305.50. The check is written numerically at \$305.50 but written on the line as Three-hundred fifty dollars and fifty cents. The bank must go by the written and not numeric value. Once the variations were discovered, the bookkeeper ensured all checks were correct numerically and on the written value.

The bookkeeper was not aware the outstanding liabilities were to be included prior to the bank reconciliation completion as that was not how she was shown to do the monthly reconciliation. This has now been corrected.

2015-003 The Sheriff Has Poor Internal Controls Over Franchise Tax Collections

The Ohio County Sheriff's office has poor internal controls over franchise tax collections. Auditors noted the following exceptions during testing:

- All monthly tax reports for October 2015, the monthly tax report for the extension district for June 2015, and the monthly tax report for the school district for April 2016 were not prepared correctly. On the October monthly reports, the bookkeeper prepared the reports using the original assessment amount; however, the bill was paid at the amended assessment amount. The June 2015 report for the extension district was not calculated correctly due to refunds being entered incorrectly (this was corrected by the bookkeeper in March 2016). The bookkeeper transposed numbers on the April 2016 monthly tax report for the school district.
- Monthly reports for July 2015 and October 2015 were not prepared and disbursed until March 10, 2016.

OHIO COUNTY
TRACY BEATTY, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Period April 17, 2015 Through April 15, 2016
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-003 The Sheriff Has Poor Internal Controls Over Franchise Tax Collections (Continued)

- October 2015 monthly tax reports and the December 2015 bank franchise report did not include discounts.
- Monthly tax reports were not signed by the sheriff as reviewed.
- December bank franchises were not disbursed until January 11.
- The April 2016 tax disbursement for soil conservation was paid to the extension district.
- A refund to a bank for the overpayment of taxes was not issued.

The errors mentioned above occurred due to a lack of oversight over the franchise tax collections. Errors were made by the bookkeeper without adequate review of reports occurring in order to catch and correct these errors. The lack of oversight and poor internal controls over franchise tax collections has resulted in inaccurate financial reporting and incorrect distributions to the taxing districts, as well as late payments to the taxing districts. The sheriff's office has also created the opportunity for undetected misappropriation of assets to occur. Per KRS 134.191 and KRS 160.510 the sheriff is required to provide monthly reports and payment of funds to the taxing districts by the tenth day of the month following collections. Good internal controls also dictate the sheriff's office review monthly reports and ensure reports are prepared accurately and timely in order to reduce the risk of the misappropriation of assets and inaccurate financial reporting. We recommend that the sheriff's office strengthen internal controls over franchise tax collections and comply with KRS 134.191 and KRS 160.510.

Sheriff's Response: All errors have been corrected by establishment of additional internal controls and collection software improvements. A detailed daily checklist was established prior to the audit to aid in internal controls. In addition, the collection software has been improved that breaks down each collection amount in a more detailed method.

2015-004 The Sheriff Did Not Pay Interest To The Board Of Education Or County Treasurer

The Ohio County Sheriff did not make consistent interest payments to the board of education or to the county treasurer. The bookkeeper made interest payments during the first three months of collections; however, any interest earned after December 2015 has not been distributed. Auditors noted that the board of education is due \$42 in interest and the county treasurer is due \$55. The lack of interest payments made to the board of education and county treasurer was due to an oversight made by the bookkeeper. By not paying interest to the board of education or the county treasurer, the sheriff is not in compliance with KRS 134.140. KRS 134.140 requires the fee official to pay the board of education the part of the investment earnings which are attributable to the investment of school taxes and pay the remaining investment earnings to the county treasurer as part of the monthly distribution of taxes. We recommend the sheriff comply with KRS 134.140 and make interest payments to the board of education and county treasurer timely.

Sheriff's Response: All interest payments have been made. A daily, weekly, monthly, quarterly, and annual checklist of all duties has been made to ensure interest payments are made on a monthly basis. This was actually corrected prior to the audit.

OHIO COUNTY
TRACY BEATTY, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Period April 17, 2015 Through April 15, 2016
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-005 The Sheriff's Office Had Undeposited Receipts Of \$425

In June 2016, one taxpayer returned to the sheriff's office upon receiving a delinquent notice to inform the sheriff that he had received the notice in error. The taxpayer had a printed receipt from the tax system showing that he had paid his tax bill of \$425 on October 14, 2015; however, the sheriff's office did not have the receipt recorded on any daily reports or included in any deposits. The taxpayer inquired at the bank about the check and the check had not cleared the bank. At that time the taxpayer stopped payment on the check and issued another check to the sheriff's office. The bookkeeper is unsure how this error could have occurred. The sheriff's office did have software issues around October 2015 that could result in the payment being deleted from the system; however, this does not explain why the receipt was not deposited into the bank. This error resulted in the delinquent taxes being misstated and created the opportunity for undetected misappropriation of assets to occur.

KRS 68.210 gives the State Local Finance Officer authority to prescribe minimum standards for the fee officials, including making daily deposits intact into a federally insured banking institution. KRS 134.119(3)(b) states "[a]ll payments received by the sheriff shall be entered immediately by the sheriff on his or her books." We recommend the sheriff's office comply with KRS 134.119(3)(b) and ensure that all receipts are recorded and deposited into the bank.

Sheriff's Response: All checks are deposited the morning following collection. There is no record in the Sheriff's Office of the payment in question being made. As the check was not cashed, the bookkeeper can only assume the payment was not made to the office.

The only explanation could be with the software issues that occurred at the time that effected a small number of bills. This bill/payment is the only one that could not be immediately rectified as it was not discovered until the taxpayer brought the receipt into the office. The two other bills were able to be immediately corrected as the checks were received and accounted for at the end of the day but the payments did not show in the system.

The software company was contacted immediately and have made corrections to the software that should prevent this type of issue from happening in the future.

Although we believe this to be a solitary event, security cameras have been installed in the office that can be reviewed by date should as issue like this occur again. Reviewing the camera footage would substantiate whether or not the payment was made in the tax office.

