

**REPORT OF THE AUDIT OF THE
OHIO 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 David Johnston, Ohio County Judge/Executive
The 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 - 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.



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

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 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 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 August 14, 2018, 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

The Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
The Honorable David Johnston, Ohio County Judge/Executive
The 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 Schedule of Findings and Responses, included herein, which discusses the following report comments:

- 2016-001 The Ohio County Sheriff's Office Lacks Adequate Segregation Of Duties
- 2016-002 The Ohio County Sheriff Does Not Have Sufficient Internal Controls Or Policies And Procedures In Place For Reconciling And Settling The Tax Account
- 2016-003 The Ohio County Sheriff Has Poor Internal Controls Over Franchise Tax Collections
- 2016-004 There Were Inadequate Controls To Ensure The Official Receipt Was Correctly Prepared
- 2016-005 The Ohio County Sheriff Did Not Have Adequate Controls Over Penalties Waived
- 2016-006 The Ohio County Sheriff Did Not Make Daily Deposits
- 2016-007 The Ohio County Sheriff Did Not Properly Pay Interest To The Board Of Education Or County Treasurer

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

August 14, 2018

OHIO COUNTY
TRACY BEATTY, 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	\$ 490,205	\$ 998,939	\$ 3,486,668	\$ 842,324
Tangible Personal Property	98,340	226,615	690,232	663,925
Fire Protection	6,767			
Increases Through Exonerations	26	53	186	45
Omitted Taxes	126	251	895	226
Franchise Taxes	85,744	184,668	609,989	
Additional Billings	80	180	567	415
Oil Property Taxes	2,434	4,917	17,314	4,183
Limestone, Sand, and Gravel Reserves	253	512	1,802	435
Bank Franchises	77,925			
Penalties	2,979	6,088	21,000	5,268
Adjusted to Sheriff's Receipt	(268)	2,231	(231)	(101)
Gross Chargeable to Sheriff	<u>764,611</u>	<u>1,424,454</u>	<u>4,828,422</u>	<u>1,516,720</u>
<u>Credits</u>				
Exonerations	2,861	5,847	20,349	5,305
Discounts	10,916	19,828	67,168	25,701
Delinquents:				
Real Estate	10,941	22,177	77,208	18,652
Tangible Personal Property	64	149	452	178
Bank Franchise Taxes	10,684			
Inventory-In-Transit Error		2,672		
Total Credits	<u>35,466</u>	<u>50,673</u>	<u>165,177</u>	<u>49,836</u>
Taxes Collected	729,145	1,373,781	4,663,245	1,466,884
Less: Commissions*	<u>30,989</u>	<u>58,386</u>	<u>104,923</u>	<u>62,343</u>
Taxes Due	698,156	1,315,395	4,558,322	1,404,541
Taxes Paid	696,450	1,330,968	4,546,416	1,401,498
Refunds (Current and Prior Year)	<u>1,757</u>	<u>3,513</u>	<u>12,506</u>	<u>3,131</u>
(Refunds Due Sheriff) as of Completion of Audit	<u>\$ (51)</u>	<u>\$ (19,086)</u>	<u>\$ (600)</u>	<u>\$ (88)</u>

**

* and ** See next page.

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

OHIO COUNTY
TRACY BEATTY, SHERIFF
SHERIFF'S SETTLEMENT - 2016 TAXES
For The Period April 16, 2016 Through April 17, 2017
(Continued)

* Commissions:

4.25% on \$ 3,569,810

2.25% on \$ 4,663,245

** Special Taxing Districts:

Library District \$ (18,337)

Health District (24)

Extension District (720)

Soil Conservation (5)

(Refunds Due Sheriff) \$ (19,086)

OHIO 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 Ohio 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 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 17, 2017, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

OHIO 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 September 21, 2016 through April 17, 2017.

B. Oil Property Taxes

The oil 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 Ohio County Sheriff earned \$306 as interest income on 2016 taxes. As of August 14, 2018, the sheriff owed \$35 in interest to the school district and \$32 in interest to his fee account.

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

The Ohio County Sheriff collected \$30,120 of 10% add-on fees allowed by KRS 134.119(7). This amount was used to operate the sheriff's office. As of August 14, 2018, the sheriff owed \$512 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
2014	\$3,280

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 David Johnston, Ohio County Judge/Executive
The 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 - 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 August 14, 2018. 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.

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 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 Schedule of Findings and Responses as items 2016-001, 2016-002, 2016-003, 2016-004, and 2016-005 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 Schedule of Findings and Responses as items 2016-003, 2016-006, and 2016-007.

Views of Responsible Official and Planned Corrective Action

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

August 14, 2018

SCHEDULE OF FINDINGS AND RESPONSES

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OHIO COUNTY
TRACY BEATTY, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

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

FINANCIAL STATEMENT FINDINGS:

2016-001 The Ohio County Sheriff's Office Lacks Adequate Segregation Of Duties

This is a repeat finding and was included in the prior year audit report as finding 2015-001. 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. According to the sheriff, the lack of segregation of duties is due to a small budget which limits staff size. Segregation of duties over these tasks and cross-training deputies, when needed because the number of staff is limited, are 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. Good internal controls dictate that the collection of receipts, disbursing of cash, purchasing authority, recording of transactions, and bank reconciling duties be segregated. A lack of segregation of duties or strong oversight could result in undetected misappropriation of assets or incorrect financial reporting.

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: The Ohio County Sheriff's Office works on a small budget which limits our staff size. Sheriff Beatty has implemented internal controls which includes cross-training and reviewing all financial statements and reports by at least two staff members. All bank statements, monthly reports and checks are reviewed by Sheriff Beatty and one other tax clerk before sending out monthly disbursements. The sheriff has installed a camera system in the tax office for monitoring transactions involving money between the public and the employees during the sheriff's collection process.

2016-002 The Ohio County Sheriff Does Not Have Sufficient Internal Controls Or Policies And Procedures In Place For Reconciling And Settling The Tax Account

This is a repeat finding and was included in the prior year audit report as finding 2015-002. 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 omitted bills to the tax accounting software. We reviewed the sheriff's tax settlement and bank statements and noted the following control deficiencies:

- Credit card payments were not reconciled regularly to ensure all payments were posted accurately, and multiple credit card payments were automatically deposited into the wrong bank account.
- The sheriff paid \$337 in penalty and interest to his fee account that were owed to the districts.
- Reconciliations were only prepared for part of the year. In the middle of the tax year, the former bookkeeper stopped reconciling the property tax bank account.

According to the sheriff, the prior bookkeeper was not diligent about good recordkeeping. Without these policies and procedures, the risk of misstatements in reconciling receipts and disbursements due to errors or fraud significantly increases. Strong internal controls and proper accounting procedures dictate that all receipts and disbursements be accounted for, maintained with supporting documentation, and reconciled to the bank accounts. A sheriff tax settlement should balance to zero every year, as all funds received are paid out to the districts or to the sheriff's fee account in the form of commissions, penalties, and interest.

OHIO COUNTY
 TRACY BEATTY, SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Period April 16, 2016 Through April 17, 2017
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-002 The Ohio County Sheriff Does Not Have Sufficient Internal Controls Or Policies And Procedures In Place For Reconciling And Settling The Tax Account (Continued)

Monthly bank reconciliations are essential to detect any errors made in 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 for reconciling and settling the tax account.

Sheriff's Response: The Ohio County Sheriff's office now has procedures in place to insure all monthly reports, bank statements and accounts are reviewed. Sheriff Beatty has implemented that all reports be reviewed by a second tax clerk. This will help insure all accounts are being reconciled correctly.

2016-003 The Ohio County Sheriff Has Poor Internal Controls Over Franchise Tax Collections

This is a repeat finding and was included in the prior year audit report as finding 2015-003. The Ohio County Sheriff's office has poor internal controls over franchise tax collections. Auditors noted the following exceptions during testing:

- A franchise bill was sent out to the taxpayer with an incorrect amount due to the library. The taxpayer paid the bill with the wrong amount due, resulting in a \$17,152 overpayment to the library.
- A bank franchise bill was not turned over as delinquent.
- The county was paid an incorrect amount for June 2016 monthly collections, and the difference owed to the county was paid by the bookkeeper a month later.

According to the sheriff, these franchise collection errors are due to his own lack of oversight. Errors were not caught by the previous bookkeeper because reports were not being reviewed in order to catch and correct these errors. The lack of oversight and poor internal controls over franchise tax collections have 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. According to KRS 134.191(1), "[t]he sheriff shall provide monthly reports by the tenth day of each month to the chief executive of the county, the department, and any other district for which the sheriff collects taxes." 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 misappropriation of assets and inaccurate financial reporting.

We recommend the sheriff's office strengthen internal controls over franchise tax collections and comply with KRS 134.191.

Sheriff's Response: The Ohio County Sheriff's office now has procedures in place to insure all Franchise reports are being reviewed. Sheriff Beatty has implemented that all Franchise bills, reports and checks are reviewed by a second tax clerk. This will help insure all documentation is correct.

OHIO COUNTY
 TRACY BEATTY, SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Period April 16, 2016 Through April 17, 2017
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-004 There Were Inadequate Controls To Ensure The Official Receipt Was Correctly Prepared

Upon reviewing the official receipt and tax rate sheets filled out by the taxing districts, we noted the library and cooperative extension districts did not elect to tax inventory-in-transit. However, inventory-in-transit tax was included on the official receipt and billed to the taxpayers. This resulted in an overpayment in taxes of \$1,941 to the library and \$731 to the cooperative extension taxing districts. According to the sheriff, this occurred because the rate sheets were not compared to the official receipt. The sheriff's office does not have policies and procedures in place to ensure the official receipt matches the taxing district rate sheets. Without these policies and procedures, the billing of taxpayers has a significant risk of potential errors or fraud. Strong controls and proper procedures dictate that all tax bills should match the official receipt, and the tax rates on the official receipt should match the tax rate sheets sent in by each district. This ensures all bills are printed with the correct rates before they are sent to the taxpayer.

We recommend the sheriff work with the county clerk and property valuation administrator to implement controls over the preparation of the official receipt.

Sheriff's Response: The Ohio County Sheriff's office has placed adequate controls such as checking all official receipts with the Ohio County Clerk and the Property Valuation Administrator. This will help insure all tax rates are correct.

2016-005 The Ohio County Sheriff Did Not Have Adequate Controls Over Penalties Waived

The Ohio County Sheriff's office waived penalties on a total of 318 tax bills. Supporting documentation was maintained for most of the waived penalties; however, auditors noted 136 tax bills in which penalties were waived and no supporting documentation was maintained. The former bookkeeper often did not reconcile online credit card payments timely. This resulted in a large number of waived penalties and missing documentation. According to the sheriff, the former bookkeeper was not diligent about maintaining proper documentation. Without maintaining proper documentation and timely reconciliations, the sheriff's office has no way to show these penalties were waived for legitimate reasons and taxpayers could avoid paying the appropriate penalties. Good internal controls dictate the sheriff reconcile online credit card payments timely and complete a penalty waiver form or maintain supporting documentation for any penalties waived in order to prevent abuse of the system and to ensure that taxes are received and disbursed properly.

We recommend the sheriff maintain the appropriate documentation to support all penalties waived and reconcile online credit card payments in a timely manner.

Sheriff's Response: The Ohio County Sheriff's office is now diligent on reconciling online credit card payments. The Sheriff's Office now pulls credit card payments daily. All penalties waived are approved by Sheriff Beatty before they are waived. A second tax clerk reviews all credit card payments to insure all online payments and penalties waived are accounted for weekly.

OHIO COUNTY
TRACY BEATTY, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Period April 16, 2016 Through April 17, 2017
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-006 The Ohio County Sheriff Did Not Make Daily Deposits

The Ohio County Sheriff's office did not make daily deposits. For the daily collections on November 7, 2016, auditors noted the deposit was not made until November 9, 2016. According to the sheriff, the former bookkeeper was not diligent about making sure deposits were accurate or complete. By not making daily deposits, the sheriff's office could create the opportunity for undetected misappropriation of assets. Additionally, the sheriff is not in compliance with the uniform system of accounts prescribed by the State Local Finance Officer pursuant to KRS 68.210. This uniform system of accounts, as outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual*, includes performing daily check-out procedures and making daily deposits intact into a federal insured banking institution.

We recommend the sheriff's office make daily deposits in accordance with the *County Budget Preparation and State Local Finance Officer Policy Manual*.

Sheriff's Response: The previous bookkeeper failed to make daily deposits. The new bookkeeper has been instructed by the sheriff to make daily deposits.

2016-007 The Ohio County Sheriff Did Not Properly Pay Interest To The Board Of Education Or County Treasurer

This is a repeat finding and was included in the prior year audit report as finding 2015-004. The Ohio County Sheriff did not make consistent interest payments to the board of education or to the county treasurer. Auditors noted that the board of education is due \$35 in interest, and the county treasurer is due \$32. According to the sheriff, the former bookkeeper was not diligent about making sure payments were made correctly or timely. 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: The previous bookkeeper failed to pay bank interest to the Board of Education and the County Treasurer. The sheriff's office now pays all interest to the Board of Education and the County Treasurer. The bank interest will be paid by the 10th of each month.