



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2014 taxes for former Pike County Sheriff Charles "Fuzzy" Keese. 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 May 5, 2014 through December 31, 2014 in conformity with the regulatory basis of accounting.

As part of the audit process, the auditor must comment on non-compliance 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 former sheriff's office lacked adequate segregation of duties. The former sheriff's office had a lack of adequate segregation of duties over tax receipts and disbursements. The employee responsible for handling tax receipts also recorded the receipts in the ledger, prepared the bank deposit, and performed the monthly bank reconciliation. In addition, the employee prepared the disbursement checks and was an authorized signer on checks. Good internal controls dictate the

same employee should not handle and record receipts and disbursements. By the same employee performing these functions, the risk of undetected errors or fraud increases. The following compensating controls should have been implemented to offset this internal control weakness:

- The former sheriff should have periodically compared a daily bank deposit to the daily checkout sheet and then compared the daily checkout sheet to the receipts ledger. Any differences should have been reconciled. The former sheriff should have documented this review by initialing and dating the bank deposit, daily checkout sheet, and receipts ledger.
- The former sheriff should have periodically performed surprise cash counts and recounted cash. The former sheriff should have documented this by initialing the deposit ticket.
- The former sheriff should have periodically compared the bank reconciliation to the balance in the checkbook. Any differences should have been reconciled. The former sheriff should have documented this by initialing the bank reconciliation and the balance in the checkbook.

Former Sheriff's response: No response.

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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