



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2015 taxes for Rockcastle County Sheriff Mike Peters. 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 16, 2015 through April 15, 2016 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 sheriff's office lacks adequate segregation of duties over receipts and disbursements. The sheriff has two bookkeepers. One bookkeeper is responsible for opening mail, writing checks, and has signature authority. The second bookkeeper, who is part-time, is responsible for posting receipts and disbursements to the ledgers as well as preparing the bank reconciliation.

Both bookkeepers collect receipts, prepare bank deposits, prepare the daily tax report, and can initiate voided transactions in the computerized tax system.

A limited budget places restrictions on the number of employees the sheriff can hire. When faced with limited staff, strong compensating controls should have been in place to offset the lack of segregation of duties.

The lack of oversight could result in misappropriation of assets and inaccurate financial reporting to external agencies such as the Department of Revenue and other taxing districts.

Segregation of duties over collecting taxes, preparing daily deposits, preparing monthly reports, and preparing disbursements, or the implementation of compensating controls when needed because staff is limited, 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.

To adequately protect against misappropriation of assets and inaccurate financial reporting, the sheriff could separate the duties of collecting taxes, preparing daily deposits, preparing and mailing disbursements, and preparing financial reports. If this is not feasible due to lack of staff, then strong oversight over these areas could be implemented and involve an employee that wasn't currently performing any of those functions. Additionally, the sheriff could provide this oversight and document it on the appropriate source documents.

Sheriff's response: The sheriff did not provide a 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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