



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 – 2016 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, 2016 through April 17, 2017 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 Rockcastle County Sheriff's office lacks adequate segregation of duties over receipts and disbursements: This is a repeat finding and was included in the prior year audit report as Finding 2015-001. The Rockcastle County Sheriff's office lacks adequate segregation of duties over receipts and disbursements. The sheriff has two bookkeepers. One bookkeeper is responsible for opening mail and writing checks. The second bookkeeper (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.

According to the sheriff, a lack of segregation of duties exists because a limited number of employees were available to properly segregate job duties. A limited budget places restrictions on the number of employees the sheriff can hire. When faced with limited staff, strong compensating controls should be in place to offset the lack of segregation of duties.

A lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies, such as the Department of Revenue and other taxing districts. A proper segregation of duties over accounting duties is essential for preventing asset misappropriation and inaccurate financial reporting. In addition, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. The sheriff can implement oversight when duties cannot be segregated.

To adequately protect against misappropriation of assets and inaccurate financial reporting, the sheriff should 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 should occur and involve an employee not performing any of these functions. Additionally, the sheriff could provide this oversight and document it on the appropriate source documents.

Sheriff's Response: Due to the financial constraints of the office, it is not feasible to have the extra personnel to separate each duty. However, I have decided to do random checks on the daily receipts and monthly statements.

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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