



Auditor of Public Accounts  
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**FOR IMMEDIATE RELEASE**

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**Harmon Releases Audit of Green County Sheriff's Tax Settlement**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2015 taxes for Green County Sheriff Robert Beard. 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 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 comments:

**The sheriff's office lacks adequate segregation of duties over receipts, disbursements, and reconciliations.** The sheriff's bookkeeper collects payments from customers and prepares the daily tax collection journals, the monthly tax reports, the deposits, the receipts and disbursements ledgers, and the monthly bank reconciliations. The bookkeeper also takes the deposits to the bank, prepares checks for payment to districts, and signs the checks. No documented oversight

was performed over these functions. The lack of segregation occurs because the sheriff failed to segregate incompatible duties or implement oversight duties when duties cannot be segregated. A lack of segregation of duties increases the risk of misappropriation of assets, errors, and inaccurate financial reporting. Segregation of duties over collecting taxes, preparing daily deposits, preparing monthly reports, and preparing disbursements 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.

The sheriff should separate the duties of collecting taxes, preparing daily deposits, preparing and mailing disbursements, preparing bank reconciliations, preparing receipts and disbursements ledgers, and preparing financial reports. If these duties cannot be segregated due to a limited number of staff or a limited budget, then strong oversight should be provided to the employee responsible for these duties. The sheriff should document these compensating controls by initialing the source documents and requiring two signatures on checks with one being the sheriff.

*Sheriff's response: No response.*

**The sheriff did not deposit funds intact daily.** The sheriff did not prepare and print daily tax collection reports and make deposits daily. Based on the bank statement, only three deposits were made during the month of February 2016. On the date tested, the tax collection report included five days of tax receipts. Tax receipts are not entered into the tax software at the time of collection. Deputies maintain copies of paid tax bills and payment for the bookkeeper to enter when he prepares the deposit. This occurred because proper controls and oversight over the deposit process were not put in place by the sheriff.

Failure to deposit taxes collected intact daily is a non-compliance with the uniform system of accounts required by the State Local Finance Officer and also increases the risk of fraud and misappropriation of cash. KRS 68.210 states the State Local Finance Officer “shall prescribe and shall install, by July 1, 1985, a system of uniform accounts for all counties and county officials.” The *County Budget Preparation and State Local Finance Officer Policy Manual*, under “Handling Public Funds,” dictates a minimum requirement of “Daily deposits intact into a federally insured banking institution.”

We recommend the sheriff implement procedures to ensure tax receipts are entered into the tax software at the time of collection. The sheriff should then prepare daily collection reports and deposit these receipts intact daily.

*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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