

**REPORT OF THE AUDIT OF THE  
GREEN COUNTY  
SHERIFF'S SETTLEMENT - 2017 TAXES**

**For The Period  
April 18, 2017 Through April 16, 2018**



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**209 ST. CLAIR STREET  
FRANKFORT, KY 40601-1817  
TELEPHONE 502.564.5841  
FACSIMILE 502.564.2912**



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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 John H. Frank, Green County Judge/Executive  
The Honorable Robert Beard, Green County Sheriff  
Members of the Green County Fiscal Court

Independent Auditor's Report

**Report on the Financial Statement**

We have audited the Green County Sheriff's Settlement - 2017 Taxes for the period April 18, 2017 through April 16, 2018 - 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 John H. Frank, Green County Judge/Executive  
The Honorable Robert Beard, Green County Sheriff  
Members of the Green 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 Green 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 Green County Sheriff, for the period April 18, 2017 through April 16, 2018.

### **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 18, 2017 through April 16, 2018 of the Green 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 15, 2019, on our consideration of the Green 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 Green 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 John H. Frank, Green County Judge/Executive  
The Honorable Robert Beard, Green County Sheriff  
Members of the Green 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:

- 2017-001 The Green County Sheriff's Office Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, And Reconciliations
- 2017-002 The Green County Sheriff Did Not Review Franchise Tax Bills Prepared By The County Clerk For Accuracy

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon  
Auditor of Public Accounts

August 15, 2019

GREEN COUNTY  
ROBERT BEARD, SHERIFF  
SHERIFF'S SETTLEMENT - 2017 TAXES

For The Period April 18, 2017 Through April 16, 2018

<u>Charges</u>	Special			
	<u>County Taxes</u>	<u>Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 344,849	\$ 891,931	\$ 1,724,243	\$ 404,934
Tangible Personal Property	13,843	48,920	69,216	40,305
Fire Protection	1,186			
Increases Through Exonerations	3	10	14	12
Franchise Taxes	66,721	216,238	328,538	
Additional Billings	38	100	192	45
Oil Property Taxes	239	618	1,196	280
Limestone, Sand, and Gravel Reserves	211	546	1,055	248
Penalties	1,901	4,950	9,491	2,304
Adjusted to Sheriff's Receipt	(69)	(157)	(299)	(548)
Gross Chargeable to Sheriff	<u>428,922</u>	<u>1,163,156</u>	<u>2,133,646</u>	<u>447,580</u>
<u>Credits</u>				
Exonerations	857	2,219	4,283	1,015
Discounts	5,690	14,924	28,386	6,991
Delinquents:				
Real Estate	8,055	20,776	40,164	9,423
Tangible Personal Property	160	560	798	703
Franchise Taxes	108	378	538	
Total Credits	<u>14,870</u>	<u>38,857</u>	<u>74,169</u>	<u>18,132</u>
Taxes Collected	414,052	1,124,299	2,059,477	429,448
Less: Commissions *	<u>17,597</u>	<u>46,799</u>	<u>82,379</u>	<u>18,252</u>
Taxes Due	396,455	1,077,500	1,977,098	411,196
Taxes Paid	396,947	1,079,382	1,978,128	411,145
Refunds (Current and Prior Year)	<u>500</u>	<u>1,827</u>	<u>2,279</u>	<u>51</u>
(Refunds Due Sheriff)				
as of Completion of Audit	<u>\$ (992)</u>	<u>\$ (3,709)</u>	<u>\$ (3,309)</u>	<u>\$ 0</u>

\*\*

\* and \*\* See next page.

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



GREEN COUNTY  
ROBERT BEARD, SHERIFF  
SHERIFF'S SETTLEMENT - 2017 TAXES  
For The Period April 18, 2017 Through April 16, 2018  
(Continued)

\* Commissions:

4.25% on	\$	1,574,350
4% on	\$	2,452,926

\*\* Special Taxing Districts:

Library District	\$	(2,054)
Health District		(222)
Extension District		(779)
Ambulance District		<u>(654)</u>
(Refunds Due Sheriff)	\$	<u><u>(3,709)</u></u>

GREEN COUNTY  
NOTES TO FINANCIAL STATEMENT

April 16, 2018

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 Green 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 Green 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 16, 2018, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

GREEN COUNTY  
NOTES TO FINANCIAL STATEMENT  
April 16, 2018  
(Continued)

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2017. Property taxes were billed to finance governmental services for the fiscal year ended June 30, 2018. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 12, 2017 through April 16, 2018.

B. Oil Property Taxes

The oil property tax assessments were levied as of January 1, 2017. 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 13, 2017 through May 15, 2018.

C. Limestone, Sand, and Gravel Reserves

The limestone, sand, and gravel property tax assessments were levied as of January 1, 2017. 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 13, 2017 through May 15, 2018.

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 18, 2017 through April 16, 2018.

Note 4. Interest Income

The Green County Sheriff earned \$218 as interest income on 2017 taxes. The sheriff was in substantial compliance with his statutory responsibilities.

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

The Green County Sheriff collected \$12,252 of 10% add-on fees allowed by KRS 134.119(7). This amount was used to operate the sheriff's office.

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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 John H. Frank, Green County Judge/Executive  
The Honorable Robert Beard, Green County Sheriff  
Members of the Green 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 Green County Sheriff's Settlement - 2017 Taxes for the period April 18, 2017 through April 16, 2018 - Regulatory Basis and the related notes to the financial statement and have issued our report thereon dated August 15, 2019. The Green 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 Green 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 Green County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Green 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 a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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 deficiency described in the accompanying Schedule of Findings and Responses as item 2017-001 to be a material weakness.



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)

**Internal Control Over Financial Reporting (Continued)**

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2017-002 to be a significant deficiency.

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Green 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Views of Responsible Official and Planned Corrective Action**

The Green 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 Green 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 15, 2019



## SCHEDULE OF FINDINGS AND RESPONSES

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GREEN COUNTY  
ROBERT BEARD, SHERIFF  
SCHEDULE OF FINDINGS AND RESPONSES

For The Period April 18, 2017 Through April 16, 2018

INTERNAL CONTROL - MATERIAL WEAKNESS:

2017-001 The Green County Sheriff's Office Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, And Reconciliations

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This is a repeat finding and was included in the prior year audit report as finding 2016-001. The sheriff's bookkeeper collects payments from customers, prepares the daily tax collection journals, the monthly tax reports, the deposits, the receipts and disbursement 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 has failed to segregate incompatible duties or implement oversight duties when duties cannot be segregated. The 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.

We recommend the sheriff 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 limited staff or 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: Office clerk has been hired.*

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY:

2017-002 The Green County Sheriff Did Not Review Franchise Tax Bills Prepared By County Clerk For Accuracy

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The sheriff mailed 11 franchise tax bills prepared by the county clerk without reviewing them for accuracy. Two franchise bills were for a commercial airline company and are allowed a tangible multiplier for each tax bill of which the county clerk failed to apply. Nine franchise bills were billed using 2015 tax rates and should have been billed using 2016 tax rates.

This occurred because the sheriff has not developed and implemented controls over the review of franchise tax bills prepared by the county clerk. As a result, the franchise companies overpaid by \$8,337 and sheriff owes the companies a refund of the overpayment of taxes.

The development and implementation of good internal controls over reviewing franchise bills prepared by the county clerk is essential to ensuring that franchise companies do not underpay or overpay taxes.

We recommend the sheriff review all franchise tax bills prepared by the county clerk for accuracy and make the necessary corrections before mailing to the franchise company. We also recommend a refund for overpayment of taxes be paid to the franchise companies.

*Sheriff's Response: Office clerk has been hired.*