

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

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



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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 Phillip L. Carter, Lawrence County Judge/Executive
The Honorable Garrett Roberts, Former Lawrence County Sheriff
The Honorable Chuck Jackson, Lawrence County Sheriff
Members of the Lawrence County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the former Lawrence 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.

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To the People of Kentucky

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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 former Lawrence 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 former Lawrence 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 former Lawrence 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 April 16, 2019, on our consideration of the former Lawrence 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 former Lawrence 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 Phillip L. Carter, Lawrence County Judge/Executive

The Honorable Garrett Roberts, Former Lawrence County Sheriff

The Honorable Chuck Jackson, Lawrence County Sheriff

Members of the Lawrence 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 Former Sheriff Did Not Report And Pay Monthly Taxes To Districts Timely
- 2017-002 The Former Sheriff Did Not Remit Interest Payments To The School And Fee Account Monthly
- 2017-003 The Former Sheriff Has Not Collected Receivables Or Paid Liabilities Of The 2012, 2014, 2015, And 2016 Tax Years
- 2017-004 The Former Sheriff's Office Lacked Adequate Segregation Of Duties And Internal Controls Over Tax Receipts And Disbursements

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

April 16, 2019

LAWRENCE COUNTY
GARRETT ROBERTS, FORMER SHERIFF
SHERIFF'S SETTLEMENT - 2017 TAXES

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

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 765,062	\$ 1,423,016	\$ 2,513,776	\$ 555,581
Tangible Personal Property	88,873	156,639	292,012	168,416
Fire Protection	5,775			
Increases Through Exonerations	189	336	621	137
Franchise Taxes	158,971	285,545	522,429	
Additional Billings	204	369	672	148
Unmined Coal - 2016 Taxes	3,630	6,502	11,826	2,932
Unmined Coal - 2017 Taxes	458	774	1,506	333
Penalties	7,166	13,312	23,420	5,254
Adjusted to Sheriff's Receipt	(139)	181	301	(118)
Gross Chargeable to Sheriff	<u>1,030,189</u>	<u>1,886,674</u>	<u>3,366,563</u>	<u>732,683</u>
 <u>Credits</u>				
Exonerations	7,196	13,285	23,640	9,104
Discounts	12,603	22,874	41,167	10,013
Delinquents:				
Real Estate	41,951	84,343	137,226	30,359
Tangible Personal Property	2,283	4,023	7,500	5,024
Total Credits	<u>64,033</u>	<u>124,525</u>	<u>209,533</u>	<u>54,500</u>
Taxes Collected	966,156	1,762,149	3,157,030	678,183
Less: Commissions *	<u>41,062</u>	<u>73,520</u>	<u>94,711</u>	<u>28,823</u>
Taxes Due	925,094	1,688,629	3,062,319	649,360
Taxes Paid	924,671	1,688,006	3,062,238	649,212
Refunds (Current and Prior Year)	<u>215</u>	<u>377</u>	<u>698</u>	<u>162</u>
Due Districts or (Refunds Due Sheriff) as of Completion of Audit	<u>\$ 208</u>	<u>\$ 246</u>	<u>\$ (617)</u>	<u>\$ (14)</u>

**

* and ** See next page.

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

LAWRENCE COUNTY
GARRETT ROBERTS, FORMER SHERIFF
SHERIFF'S SETTLEMENT - 2017 TAXES
For The Period April 18, 2017 Through April 16, 2018
(Continued)

* Commissions:

4.25% on	\$	3,364,310
3% on	\$	3,157,030
1% on	\$	42,178

** Special Taxing Districts:

Library District	\$	107
Health District		29
Extension District		71
Soil Conservation District		16
Fire & Rescue District		<u>23</u>
Due Districts	\$	<u>246</u>

LAWRENCE 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 former Lawrence 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 former sheriff did not have a deposit policy for custodial credit risk but rather followed 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. However, as of November 1, 2017, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the former sheriff's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$129,626

LAWRENCE 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, 2017. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 26, 2017 through April 16, 2018.

B. 2016 Unmined Coal Property Taxes

The unmined coal property tax assessments were levied as of January 1, 2016. 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 26, 2017 through January 31, 2018.

C. 2017 Unmined Coal Property Taxes

The unmined coal 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 March 1, 2018 through January 7, 2019.

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 former Lawrence County Sheriff earned \$343 as interest income on 2017 taxes. As of April 16, 2019, the former sheriff owed \$160 in interest to the school district and \$183 in interest to his fee account.

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

The former Lawrence County Sheriff collected \$42,426 of 10% add-on fees allowed by KRS 134.119(7). This amount was used to operate the former sheriff's office.

Note 6. Unrefundable Duplicate Payments And Unexplained Receipts

The former sheriff deposited unrefundable duplicate payments and unexplained receipts in an interest-bearing account. The former sheriff's escrowed amounts were as follows:

2011	\$6,356
2015	\$1,956

KRS 393.090 states that if the funds have not been claimed after three years, they are presumed abandoned. Abandoned funds are required to be sent to the Kentucky State Treasurer pursuant to KRS 393.110 and its accompanying regulations.

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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 Phillip L. Carter, Lawrence County Judge/Executive
The Honorable Garrett Roberts, Former Lawrence County Sheriff
The Honorable Chuck Jackson, Lawrence County Sheriff
Members of the Lawrence 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 former Lawrence 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 April 16, 2019. The former Lawrence 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 former Lawrence 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 former Lawrence County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the former Lawrence 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.

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 2017-004 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)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the former Lawrence 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2017-001, 2017-002, and 2017-003.

Views of Responsible Official and Planned Corrective Action

The former Lawrence 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 former Lawrence 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

April 16, 2019

SCHEDULE OF FINDINGS AND RESPONSES

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LAWRENCE COUNTY
GARRETT ROBERTS, FORMER SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

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

STATE LAWS AND REGULATIONS:

2017-001 The Former Sheriff Did Not Report And Pay Monthly Taxes To Districts Timely

This is a repeat finding and was included in the prior year audit report as finding 2016-001. The former sheriff's monthly tax reports and payments were often late, depriving the taxing districts of timely receipt of their tax collections.

The following table illustrates when tax payments were made:

Month	Date Payments Due Districts	Checks Dates	Dates Checks Cleared Bank
November (regular and franchise)	12/10/2017	12/11/2017	12/12/2017 – 01/23/2018
December (regular and franchise)	01/10/2018	01/12/2018	01/16/2018 – 02/23/2018
February (regular and franchise)	03/10/2018	03/26/2018	03/28/2018 – 05/08/2018
October - 2016 Unmined Coal	11/10/2017	02/12/2018	02/12/2018 – 02/26/2018
January - 2016 Unmined Coal	02/10/2018	02/12/2018	02-12/2018 – 02/26/2018
April - 2017 Unmined Coal	05/10/2018	02/15/2019	<i>Not cleared</i>

The former sheriff did not ensure his office complied with the requirement to report and pay taxes collected to districts by the tenth of each month. The former sheriff mailed payments to the fire districts and fire and rescue district. The sheriff delivered the payments to the other districts. It appears from the former sheriff's records that the delivery date is often later than the day the reports were prepared, making the receipt of payments by the districts further delayed.

As indicated in the table, some districts received their tax collections weeks later after they were to be distributed. While the sheriff cannot control when districts deposit their checks, he can control when he distributes the checks.

KRS 134.191 requires the sheriff to provide monthly reports by the tenth day of each month. KRS 134.191(4) states, "[a]ny sheriff failing to pay over taxes collected as required by law shall be subject to a penalty of one percent (1%) for each thirty (30) day period or fraction thereof that the payment is not made, plus interest[.]" Furthermore, the governing body of a county or taxing district shall charge the sheriff with penalties and interest. The county judge/executive may grant an extension of time, not to exceed fifteen (15) days, for filing the monthly reports. Penalties and interest would be suspended during an extension, but would apply at the expiration of the extension.

We recommend the sheriff's office ensure monthly tax reports are prepared and paid by the tenth of each month. There should be monthly reports for any month that regular, franchise, gas & oil, and unmined coal taxes are collected.

Former Sheriff's Response: The former sheriff did not provide a response.

LAWRENCE COUNTY
GARRETT ROBERTS, FORMER SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Period April 18, 2017 Through April 16, 2018
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

2017-002 The Former Sheriff Did Not Remit Interest Payments To The School And Fee Account Monthly

This is a repeat finding and was included in the prior year audit report as finding 2016-003. The former sheriff did not distribute interest earned on tax collections to the school or the fee account on a monthly basis. The former sheriff earned \$346 in interest on his 2017 tax account and none was distributed to the fee account or school.

Policies and procedures are not in place to ensure that interest earned from tax collection deposits is paid to the school district and fee account timely.

Failure to distribute interest earnings monthly results in a noncompliance. Based on the amount of interest earned, the former sheriff owes \$161 to the school district and \$185 to the fee account.

KRS 134.140(2) requires the sheriff to pay monthly, "that part of the investment earnings for the month which are attributable to the investment of school taxes[.]" According to KRS 134.140(4), the balance of investment income should be paid to the sheriff's operating account.

We recommend the sheriff's office comply with KRS 134.140 by remitting the interest due to the school and fee account on a monthly basis.

Former Sheriff's Response: The sheriff did not provide a response.

2017-003 The Former Sheriff Has Not Collected Receivables Or Paid Liabilities Of The 2012, 2014, 2015, And 2016 Tax Years

The former sheriff did not collect receivables and pay liabilities as determined by audits for the 2012, 2014, 2015, and 2016 tax years. While the former sheriff has paid some of the liabilities, the following cumulative amounts remain unresolved as of the end of the 2017 tax year.

<u>Receivables</u>		<u>Liabilities</u>	
Personal Funds from Former Sheriff	963	2016 Fee Account Interest	1,047
Surplus Account	263	Soil Conservation	1,071
Additional Taxes due from Franchisee	258	2016 Tax Account	49
County	68	2017 Fee Account	14,029
2012 Tax Account	49		
State	9,967		
Fire Department Fee	2,291		
Big Sandy Fire	111		
Board of Education	1,000		

Furthermore, the ending cumulative surplus of \$14,404 was to be escrowed upon resolution of the above items and this has not occurred.

LAWRENCE COUNTY
 GARRETT ROBERTS, FORMER SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Period April 18, 2017 Through April 16, 2018
 (Continued)

STATE LAWS AND REGULATIONS: (Continued)

2017-003 The Former Sheriff Has Not Collected Receivables Or Paid Liabilities Of The 2012, 2014, 2015,
 And 2016 Tax Years (Continued)

The former sheriff has not ensured recommendations from prior years' audits were followed. Because the former sheriff did not collect the amounts due, he was not able to pay the amounts owed to taxing districts. By not collecting these receivables and paying these liabilities timely, entities have been deprived of funds owed to them. By not following the recommended collection and payment schedules per the 2012, 2014, 2015, and 2016 audits, it is more difficult to determine the amounts that need to be collected and paid.

KRS 134.192 requires the sheriff to, "annually settle his or her accounts with the department, the county, and any district for which the sheriff collects taxes on or before September 1 of each year."

We recommend the former sheriff take the necessary action to collect the cumulative receivables that will enable him to pay the remaining cumulative liabilities of the 2012, 2014, 2015, and 2016 tax accounts as listed above. Once this is completed, the remaining account balances should be escrowed for three years, then if unclaimed, turned over to the state as unclaimed property.

Former Sheriff's Response: Upon receiving the receivables from districts all liabilities will be paid.

INTERNAL CONTROL - MATERIAL WEAKNESS:

2017-004 The Former Sheriff's Office Lacked Adequate Segregation Of Duties And Internal Controls Over
 Tax Receipts And Disbursements

This is a repeat finding and was included in the prior year audit report as finding 2016-004. The former sheriff's office lacked adequate segregation of duties and internal controls over tax receipts and disbursements. The former bookkeeper, deputy clerk, and occasionally the former sheriff, all collected tax receipts. The former bookkeeper and deputy clerk each prepared a daily checkout sheet and reconciled the daily receipts to the daily collection report. The former bookkeeper posted items to the receipts ledger. There were no initials on the deposit ticket documenting who prepared and reviewed the deposit ticket. The former bookkeeper prepared the month-end tax reports and prepared checks for tax distribution based on the month-end tax reports, and posted checks to the disbursements ledger. All checks required a dual signature. The former sheriff and former bookkeeper signed the tax distribution checks. The deputy clerk was also authorized to sign checks when needed.

According to the former bookkeeper, the former sheriff's office had a limited number of staff that prevented adequate segregation of duties over most accounting functions of the office.

Without internal controls in place, there is no way to know that the tax account financial information is accurate. Internal controls should be implemented and duties should be segregated to decrease the risk of misappropriation of assets, errors, and inaccurate financial reporting to external agencies. By not segregating these duties, there is an increased risk of undetected misappropriation of assets either by error or fraud.

Internal controls and proper segregation of duties protect employees and the sheriff in the normal course of performing their daily responsibilities. Good internal controls dictate the same employee should not receive payments, prepare deposits, and post to the receipts ledger; the same employee should not prepare monthly reports, sign checks, and post to the disbursements ledger; and the same employee should not deposit funds, sign checks, post to ledgers, and prepare bank reconciliations and monthly reports.

LAWRENCE COUNTY
GARRETT ROBERTS, FORMER SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Period April 18, 2017 Through April 16, 2018
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESS: (Continued)

2017-004 The Former Sheriff's Office Lacked Adequate Segregation Of Duties And Internal Controls Over Tax Receipts And Disbursements (Continued)

We recommend the sheriff's office implement internal controls and segregate duties as much as possible. Employees receiving payments and preparing deposits should not be posting to the receipts ledger and preparing bank reconciliations. Employees preparing and signing checks should not be posting to the disbursements ledger and preparing bank reconciliations. A proper segregation of duties may not be possible with a limited number of employees, and in that case, the sheriff could take on the responsibility of preparing or reviewing the daily deposits, receipts and disbursements ledgers, monthly reports, and bank reconciliations. These reviews must be documented in a way that indicates what was reviewed, by whom, and when, because signing off on inaccurate information does not provide internal control.

Former Sheriff's Response: The former sheriff did not provide a response.