



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2018 taxes for former Pendleton County Sheriff Charles Peoples. 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 former 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 former sheriff's settlement is prepared on the regulatory basis, which is described in the auditor's opinion letter. Regulatory basis reporting for the former sheriff's settlement is an acceptable reporting methodology, and this reporting methodology is followed for all 120 sheriff settlements in Kentucky.

The former sheriff's financial statement fairly presents the taxes charged, credited and paid for the period April 17, 2018 through January 6, 2019 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 comments:

The former sheriff's office did not batch or deposit receipts daily: The former Pendleton County Sheriff did not make daily deposits. Receipts were batched based on deposit date and were often held from previous days. According to the former sheriff, the former sheriff's office had a small staff and minimal deposits on certain days, which lead to them holding receipts until a deposit is made. A lack of oversight could lead to misappropriation of assets and inaccurate

financial reporting. The likelihood that a receipt could be lost or misplaced is increased if the receipts are not batched and deposited daily.

The mandatory standards established by the state local finance officer pursuant to KRS 68.210 dictate that collections should be deposited intact into a federally insured banking institution on a daily basis. It requires officials to issue receipts and reconcile daily checkout sheets with daily deposit totals. The daily checkout sheets should agree to batched receipts, deposits, and the receipts ledger.

We recommend the sheriff's office implement procedures to ensure that receipts are batched and deposited daily.

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

The former sheriff's office lacked adequate segregation of duties over receipts and disbursements: This is a repeat finding included in the prior year audit report as Finding 2017-001. All employees of the former sheriff's office collected receipts. The office manager was responsible for preparing the daily bank deposit, the daily checkout sheet, and posting items to the receipts ledger. The office manager also prepared checks for all disbursements and posted to the disbursements ledger. The former sheriff and office manager are the only authorized check signers; however, the former sheriff did not require dual signatures on checks.

According to the former sheriff, the limited size of the sheriff's office made it difficult to segregate duties properly.

Segregation of duties over these tasks, or the implementation of compensating controls when limited by staff size is essential for providing protection from asset misappropriation and helping prevent inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

Good internal controls dictate that the same employee should not handle, record, and reconcile receipts and disbursements.

We recommend the sheriff's office separate the duties of collecting taxes, preparing daily deposits, preparing and mailing disbursements, and preparing financial reports. If these duties cannot be segregated due to a limited number of staff, then strong oversight should be provided to the employee responsible for these duties and this oversight should be documented.

Former Sheriff's Response: The former 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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