



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2017 taxes for former 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 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 sheriff's financial statement fairly presents the taxes charged, credited and paid for the period April 18, 2017 through April 16, 2018 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 former Rockcastle County Sheriff's Office lacked adequate segregation of duties over receipts and disbursements: This is a repeat finding and was included in the prior year audit report as Finding 2016-001. The former Rockcastle County Sheriff's Office lacked adequate segregation of duties over receipts and disbursements. The former sheriff had two bookkeepers.

One bookkeeper was responsible for opening mail and writing checks. The second bookkeeper, who was part-time, was responsible for posting receipts and disbursements to the ledgers as well as preparing the bank reconciliation. Both bookkeepers collected receipts, prepared bank deposits, prepared the daily tax report, and could initiate voided transactions in the computerized tax system.

The former sheriff's office stated that a lack of segregation of duties existed because a limited number of employees were available to properly segregate job duties. A limited budget placed restrictions on the number of employees the former sheriff could hire. When faced with limited staff, strong compensating controls should have been 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 former sheriff's office could have implemented oversight when duties could not be segregated.

To adequately protect against misappropriation of assets and inaccurate financial reporting, we recommend the sheriff's office 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 that is not currently performing any of these functions. Additionally, the sheriff's office could implement compensating controls by providing oversight and documenting the oversight on the appropriate source documents.

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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