



Auditor of Public Accounts
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Edelen Releases Audit of Former Campbell County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Adam Edelen today released the audit of the sheriff's settlement – 2013 taxes for former Campbell County Sheriff Jeff Kidwell. 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.

Recent changes in auditing standards require the auditor's letter to communicate whether the sheriff's settlement presents fairly the taxes charged, credited and paid of the former Campbell County Sheriff in accordance with generally accepted accounting principles in the United States. 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 audit found that the sheriff's financial statement fairly presents the taxes charged, credited and paid, for the period, May 14, 2013 through April 15, 2014 in conformity with the modified cash 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 former Sheriff's Office lacked controls over the 911 service fee and did not provide adequate oversight. The 911 service fee originated with the passing of ordinance O-04-13 for the purpose of providing additional funding for the operation of enhanced 911 emergency services. These 911 service fees were placed upon the Campbell County property tax bills, to be

collected by the Sheriff's Office, and disbursed to the Campbell County Consolidated Dispatch Board.

During the audit, auditors determined the 911 service fee was not included on the former Sheriff's Official Receipt or the 2013 Tax Settlement. This resulted in a material adjustment by the auditor on the former Sheriff's 2013 Tax Settlement. Also, the former Sheriff's office personnel were unable to provide information when it came to the 911 service fees charged, collected, and distributed.

Auditors noted the former Sheriff's Office did not maintain documentation for unpaid 911 fees. A tax bill would be marked paid if the tax payer paid the taxes regardless of whether the 911 fee was paid or unpaid. As a result, auditors were unable to determine which 911 fees were unpaid and no delinquent listing was provided.

We recommend the Sheriff's Office immediately implement controls over the handling of the 911 Service Fee. In addition we have the following recommendations:

- The Sheriff's Office should ensure all taxes and fees charged on the tax bills are on the official receipt.
- The Sheriff's Office should include all taxes and fees charged on the tax bills on the settlement.
- The Sheriff's Office/Fiscal Court should implement software adjustments to be able to provide all information related to the 911 Service Fee.

Additionally, we recommend the Sheriff's Office implement controls/procedures for handling of the 911 Service Fee when it comes to documenting charges, credits, collections, and distributions.

Former Sheriff's response: 911 Fees were not included with taxes because they are not taxes but County imposed fees.

Auditor's reply: The Sheriff's Office should always be able to account for any fee or tax for which the office is accountable for collecting.

The former Sheriff's Office lacked adequate segregation of duties over tax receipts and disbursements. The former Sheriff's office had a lack of adequate segregation of duties over tax receipts and disbursements. The employee responsible for handling tax receipts also recorded the receipts in the ledger, prepared the bank deposits, and performed the monthly bank reconciliations. In addition, the employee prepared the disbursement checks and was an authorized signer on checks. By the same employee performing these functions, the risk that errors or fraud may go undetected increases. The following compensating controls could have been implemented to offset this internal control weakness:

- The former Sheriff could have periodically compared a daily bank deposit to the daily checkout sheet and compared the daily checkout sheet to the receipts ledger. Any difference should have been reconciled. The former Sheriff could have documented

this review by initialing and dating the bank deposit, daily checkout sheet, and receipts ledger.

- The former Sheriff could have periodically performed surprise cash counts and recounted cash. The former Sheriff could have documented this by initialing the bank deposit ticket.
- The former Sheriff could have periodically compared the bank reconciliation to the balance in the checkbook. Any difference should have been reconciled. The former Sheriff could have documented this by initialing the bank reconciliation and the balance in the checkbook.

Former Sheriff's Response: Periodic checks were performed on bank deposits (daily).

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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