



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

FRANKFORT, Ky. – State Auditor Adam Edelen today released the audit of the sheriff's settlement – 2013 taxes for Letcher County Sheriff Danny Webb. 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 Letcher 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, April 17, 2013 through April 16, 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 Sheriff should make daily deposits. The Sheriff did not deposit tax receipts daily. During our test of receipts, we discovered that some tax receipts had accumulated and were not deposited into an official bank account on a daily basis. The State Local Finance Officer, under the authority of KRS 68.210, has established minimum accounting requirements, which include depositing receipts intact on a daily basis and reconciling receipts to a daily check out sheet.

Failure to make daily deposits put funds on hand at risk of loss or theft and makes the reconciliation process more difficult. Therefore, we recommend the Sheriff deposit receipts daily as required by the State Local Finance Officer.

Sheriff's response: Deposits are not made daily, however the reports are balanced daily.

The Sheriff's office lacks adequate segregation of duties. During our review of internal control, we found the Sheriff's office has a lack of adequate segregation of duties. A significant deficiency occurs when someone has custody over assets and the responsibility of recording financial transactions. The bookkeeper collects, deposits, and records all receipts and prepares and records all checks. In addition, the bookkeeper prepares all bank reconciliations. Good internal controls dictate that the same employee should not be handling, recording, and reconciling cash receipts. Furthermore, authorized check signers should be independent of receiving cash and preparing checks. A material weakness occurs when a significant deficiency, or combination of significant deficiencies, results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. The Sheriff's office failed to prepare reconciliations of taxes collected to taxes paid. We noted errors in tax collections which could have been prevented or detected if the Sheriff's office had prepared reconciliations of taxes collected to taxes paid.

If the Sheriff cannot segregate these duties, compensating controls such as the Sheriff recounting daily deposits, agreeing deposits to daily tax reports, and agreeing deposits to the receipts ledger should be implemented. The Sheriff should also review reconciliations of taxes collected to taxes paid. The Sheriff should document these reviews by initialing and dating the bank deposit, daily checkout sheet, receipts ledger, and reconciliations. The Sheriff could also periodically compare the bank reconciliations to the balance in the checkbook and document this by initialing and dating the bank reconciliation and the balance in the checkbook. We recommend the Sheriff review office procedures to address this material weakness.

Sheriff's response: We have already made adjustments the best that we can; without the funds available to hire additional employees. The adjustments that we have made are so that the Sheriff can oversee the receivables and the cash distributions.

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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