



Auditor of Public Accounts
Mike Harmon

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Contact: **Michael Goins**
Michael.Goins@ky.gov
502.564.5841
502.209.2867

Harmon Releases Audit of Graves County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement-2014 taxes for Graves County Sheriff Dewayne Redmon. 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 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 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 sheriff's financial statement fairly presents the taxes charged, credited and paid, for the period, May 16, 2014 through April 15, 2015 in conformity with the regulatory 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 Graves County Sheriff's office lacks adequate segregation of duties over tax collections. A review of internal controls at the Graves County Sheriff's office revealed an improper segregation of duties over tax collections. This material weakness is present because one employee's duties includes processing tax payments, preparing daily deposits, recording tax

transactions, preparing monthly tax reports, disbursing monthly tax distributions, and completing monthly bank reconciliations with little to no oversight.

By not properly segregating the accounting functions involved in accounting for tax collections, public funds are at risk of being misappropriated which could lead to, at a minimum, inaccurate financial reporting. Good internal controls dictate that certain accounting functions should be performed by several different employees to provide reasonable assurance the financial activity is properly accounted for and accurately reported.

In order to achieve a proper segregation of duties, the sheriff should assign different employees to be responsible for preparing daily deposits, disbursing tax collections, recording tax transactions, and monthly bank reconciliations. If it is not feasible to segregate these duties, the sheriff should implement compensating controls such as a) comparing bank deposits to the daily collection reports, b) reviewing monthly bank reconciliations, and c) comparing monthly franchise tax reports to bank deposits and tax payments. All compensating controls performed should be documented with the date and initials for the employee performing the review.

Sheriff Dewayne Redmon's response: "Hard to do with limited staff."

The Graves County Sheriff did not properly account for franchise tax collections. The sheriff's office did not properly account for or report its franchise tax collections. KRS 134.192(5) states, "The report of the state and local settlement shall be filed in the county clerk's office and approved by the governing body of the county no later than September 1 of each year. The settlement shall show the amount of tax collected for the county, the school district, and all taxing districts, and an itemized statement of the money disbursed to or on behalf of the county, the school district, and all taxing districts."

Due to weak or nonexistent control procedures over franchise tax collections, the following deficiencies were allowed to occur:

- A complete and accurate Annual Franchise Tax Settlement was not prepared or approved by the fiscal court.
- Monthly Franchise Tax reports did not include gross franchise taxes collected with any discounts and/or penalties collected (Gross Collections +/- discounts/penalties).
- Daily checkout sheets were not maintained for paid franchise tax bills.
- Incorrect Franchise Tax bills were mailed to taxpayers.
- Franchise Tax collections from prior years were not settled as recommended by audit.

We recommend that the sheriff develop procedures to ensure franchise tax collections are properly accounted for and accurately reported.

Sheriff Dewayne Redmon's response: "Will put procedures in place."

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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