



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement-2014 taxes for Livingston County Sheriff Bobby Davidson. 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, April 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 comment:

The Livingston County Sheriff's office lacks adequate segregation of duties over tax collections. While reviewing the sheriff's internal control procedures, we identified a lack of adequate segregation of duties over tax collections and tax payments. This control deficiency is present because one employee's duties include accepting tax payments, recording taxes paid,

preparing the daily deposit, preparing monthly tax reports, preparing monthly tax disbursements, and either signing or co-signing monthly tax disbursements.

A lack of segregation of these duties and lack of strong oversight increases the risk of undetected errors or even fraud. Good internal controls dictate that certain accounting functions be separated to detect possible errors and ensure accurate financial reporting of the activities at the sheriff's office.

The sheriff should implement the following compensating controls to offset this internal control weakness:

- The sheriff should frequently compare daily bank deposits, daily checkout sheets, and daily tax reports. Any differences should be reconciled. The sheriff should document his oversight by initialing the bank deposit, daily checkout sheet, and daily tax report.
- The sheriff should compare disbursements to monthly tax reports or other supporting documentation. Any differences should be reconciled. The sheriff should document his oversight by initialing documentation and signing checks.
- The sheriff should require an employee that does not accept tax payments to prepare the bank reconciliation. The sheriff should compare the bank reconciliation to the balance in the checkbook, and any differences should be reconciled. The sheriff should document his oversight by initialing the bank reconciliation and the balance in the checkbook.

Sheriff Bobby Davidson's response: "We are aware of this problem, but funds do not permit us to hire extra employees."

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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