



Auditor of Public Accounts
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Harmon Releases Audit of Leslie County Sheriff's Unmined Coal Tax Settlement

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2018 unmined coal taxes for Leslie County Sheriff Billy M. Collett. 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 January 1, 2019 through August 15, 2019 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 comments:

The Leslie County Sheriff's Office does not have adequate segregation of duties: The sheriff's bookkeeper collects payments from customers, prepares receipts, prepares deposits, and reconciles the bank statements. The bookkeeper also prepares disbursement checks and monthly tax reports. These incompatible duties create a lack of segregation of duties over receipts, disbursements, and

the reconciliation process. According to the sheriff's office, this condition is a result of a limited budget, which restricts the number of the employees the sheriff can hire or delegate duties to.

A lack of oversight could have resulted in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as Department of Revenue. The segregation of duties over various accounting functions such as preparing deposits, recording receipts and disbursements, and preparing monthly reports, or the implementation of compensating controls is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the sheriff ensure that accounting duties are properly segregated in the future. If this is not feasible, the sheriff should implement adequate compensating controls that would limit the severity of this deficiency in internal controls.

Sheriff's Response: The sheriff did not provide a response.

The Leslie County Sheriff's Office does not have back up procedures in place for tax collection data: In 2019, the Leslie County Sheriff's Office lost all data pertaining to 2018 tax collections. The sheriff attempted to recover information, but was unsuccessful. The sheriff did have copies of all collection information and therefore was able to support amounts reported on the sheriff's tax settlement.

The sheriff was under the impression that the vendor for the tax collection software provided backup services, but learned that this was a service that had to be purchased separately. As a result, all information concerning 2018 tax collections was lost and unable to be recovered. Good internal controls require that the sheriff ensure that procedures are in place to protect tax collection data.

We recommend the sheriff consult with a specialist to ensure that this does not happen in the future and also that the sheriff continue to maintain documentation for tax collections and payments.

Sheriff's Response: The sheriff provided no 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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