



Auditor of Public Accounts
Adam H. Edelen

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Contact: **Stephenie Steitzer**
stephenie.steitzer@auditor.ky.gov
502.564.5841
513.289.7667

Edelen Releases Audit of Bell County Sheriff's Unmined Coal Tax Settlement

FRANKFORT, Ky. – State Auditor Adam Edelen today released the audit of the sheriff's settlement – 2010 unmined coal taxes for Bell County Sheriff Bruce Bennett. 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.

The audit found that the sheriff's financial statement fairly presents the taxes charged, credited and paid, for the period August 17, 2010 through July 15, 2011, 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 comment:

- **The sheriff's office lacks adequate segregation of duties.** While reviewing the sheriff's internal control procedures, we identified a lack of adequate segregation of duties over receipts, and disbursements. These control deficiencies are 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 co-signing monthly tax disbursements.

In order to achieve a proper segregation of duties, related activities should be assigned to different individuals. Since budget restrictions may limit the number of staff the sheriff can hire, it may not be feasible to segregate accounting duties to different individuals. In this situation, the sheriff should implement compensating controls to mitigate the effects of the lack of

adequate segregation of duties. We recommend the following compensating controls be implemented 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 rotate the employee responsible for entering paid tax bills in the computer. The employee responsible for entering this information could be randomly determined without the employee's prior knowledge.
- The sheriff should compare monthly tax reports and disbursements to a deposit listing. Any differences should be reconciled. The sheriff should document his oversight by initialing the listing of deposits.
- 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's Response: We will make every effort to adequately segregate duties according to law.

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.

This report, in its entirety, can be accessed at the following Internet site: [here](#).

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