



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 Former Graves County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Adam Edelen today released the audit of the sheriff's settlement - 2010 taxes for former Graves County Sheriff John Davis. 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 April 16, 2010 through December 31, 2010, 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 Former Graves County sheriff should have prepared an annual franchise tax settlement as required by KRS 134.192.** The former Graves County sheriff did not prepare an annual franchise tax settlement as required by KRS 134.192. KRS 134.192 states 'the sheriff shall file an annual settlement of all monies collected by his office'; this would include any franchise taxes collected. The settlement should include total amount to be collected, discounts given, penalties paid, commissions earned and taxes paid for each taxing district. The former sheriff should have prepared an annual franchise tax settlement by September 1 and had it approved by the fiscal court as required by KRS 134.192.

Former Sheriff John Davis's response: No response.

- **The Former Graves County sheriff's office lacked an adequate segregation of duties.** During the review of the internal control structure, the following deficiencies were noted in the control environment over tax receipts and disbursements:
 - The former sheriff's bookkeeper collected money, prepared deposits, and reconciled to daily collection reports.
 - The former sheriff's bookkeeper prepared and signed all checks with no second signature required.
 - The former sheriff's bookkeeper prepared monthly bank reconciliations.

No compensating controls were noted to offset any of these control deficiencies. Therefore, the control deficiencies as described above are considered a material weakness. The former sheriff should have segregated duties over tax receipts and disbursements or should have implemented the following compensating controls to limit the severity of these internal control weaknesses:

- The former sheriff or his designee should have periodically prepared the daily bank deposit and compared it to the daily collection report prepared by the bookkeeper for the tax collections. Any differences should have been reconciled. This review could have been documented by signing the bank deposit and daily collection reports.
- The former sheriff or his designee should have reviewed the monthly tax reports and compared monthly reports to checks written. The former sheriff or his designee should also have reviewed supporting documentation for any other checks written from the tax account such as overpayments and refunds. A second signature should be required on all checks.
- The former sheriff or his designee should have prepared the monthly bank reconciliations. Any differences should have been reconciled. This could have been documented by signing the bank reconciliation and checkbook.

Former Sheriff John Davis's response: 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.

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

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