



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 Harlan County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Adam Edelen today released the audit of the sheriff's settlement - 2010 taxes for Harlan County Sheriff Marvin J. Lipfird. 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 April 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 comments:

- **The Sheriff should collect and distribute additional amounts from and due to others.**
Based upon test procedures, our audit reflects the following refunds that should be collected from the appropriate districts, so that the sheriff can distribute the following amounts due to the appropriate parties. There were several bookkeeping errors which occurred during the tax year, resulting in these balances:
 - Distributions were overpaid to all districts for April Collections. The sheriff collected refunds from all districts except the Kentucky State Treasurer. Therefore, a refund is due from the Kentucky State Treasurer.
 - Distributions were overpaid to the health department for April gas collections. No refund was collected during the tax year.

- Distributions to the library and soil conservation districts were transposed for March regular collections. Amounts due to the library were paid to the soil conservation and vice versa.
- Distributions to Harlan County Fiscal Court for May franchise collections were underpaid, resulting in an additional amount due to the fiscal court.
- A second refund for the overpayment of April collections was erroneously collected from the Harlan County Board of Education, resulting in an additional amount due to the school district.

We recommend that the sheriff collect these additional amounts due from others and distribute the additional amounts due to others as shown below.

| 2010 Tax Account | | | |
|-----------------------------------|---------------------|---|---------------------|
| <u>Refunds Due To Tax Account</u> | | <u>Amounts Due To Others From Tax Account</u> | |
| <u>District</u> | <u>Amount</u> | <u>District</u> | <u>Amount</u> |
| Kentucky State Treasurer | \$ 15,249.03 | Harlan County Fiscal Court | \$ 7,050.38 |
| Health | 3,438.21 | Harlan County Board of Education | 42,867.44 |
| Soil Conservation | 8,414.55 | Library | 10,014.36 |
| Add-on Fees From Fee Account | 1,550.11 | Extension | 2,087.31 |
| Interest Due From School | 12.46 | Interest Due To Fee Account | 36.05 |
| Commissions Due From School | 1,855.61 | Commissions Due To Fee Account | 815.31 |
| | <u>\$ 30,519.97</u> | | <u>\$ 62,870.85</u> |

Sheriff's Response: The computer collection system had issues with proper calculations not only with this office but several other sheriffs' offices as well.

- **The sheriff should strengthen internal controls over franchise billings.** During testing of franchise collections, auditor noted that the sheriff's office did not mail five franchise billings prepared by the county clerk, resulting in an uncollected total of \$166,788. To ensure proper reporting of franchise billings, the sheriff should ensure all franchise billings are mailed. We recommend the sheriff strengthen internal controls over franchise billings to ensure all billings are mailed and collections are properly reported.

Sheriff's Response: During this time, the county clerk delivered these ... and I was unaware they had been delivered. Once I became aware of this matter, I corrected it.

- **The sheriff should properly prepare monthly reports and should not disburse checks for unavailable funds.** While performing the tax audit, we noted that the sheriff overpaid distributions to all districts for April collections, creating a negative balance of \$118,040 in the tax account. As a result, the sheriff incurred \$125 in fees for insufficient funds. This error occurred because distributions were paid based on a monthly report which included all collections for the month, rather than regular collections only. We recommend the sheriff collect the \$125 in fees as a reimbursement from the bank or from personal funds. In the future, the sheriff should distribute amounts due properly and not pay disbursements unless there are sufficient funds available.

Sheriff's response: I have put measures into place to correct this matter.

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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The Auditor of Public Accounts ensures that public resources are protected, accurately valued, properly accounted for, and effectively employed to raise the quality of life of Kentuckians.

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