

**REPORT OF THE AUDIT OF THE
POWELL COUNTY
SHERIFF'S SETTLEMENT - 2019 TAXES**

**For The Period
April 16, 2019 Through May 15, 2020**



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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable James Anderson, Powell County Judge/Executive
The Honorable Danny Rogers, Powell County Sheriff
Members of the Powell County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the Powell County Sheriff's Settlement - 2019 Taxes for the period April 16, 2019 through May 15, 2020 - Regulatory Basis, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Audit Guide for Sheriff's Tax Settlements*, issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable James Anderson, Powell County Judge/Executive
The Honorable Danny Rogers, Powell County Sheriff
Members of the Powell County Fiscal Court

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Powell County Sheriff on the basis of accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the taxes charged, credited, and paid of the Powell County Sheriff, for the period April 16, 2019 through May 15, 2020.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the taxes charged, credited, and paid for the period April 16, 2019 through May 15, 2020 of the Powell County Sheriff, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2022, on our consideration of the Powell County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Powell County Sheriff's internal control over financial reporting and compliance.

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable James Anderson, Powell County Judge/Executive
The Honorable Danny Rogers, Powell County Sheriff
Members of the Powell County Fiscal Court

Other Reporting Required by *Government Auditing Standards* (Continued)

Based on the results of our audit, we have presented the accompanying Schedule of Findings and Responses, included herein, which discusses the following report comments:

- 2019-001 The Powell County Sheriff's Office Does Not Have Adequate Segregation Of Duties
- 2019-002 The Powell County Sheriff Did Not Have Adequate Internal Controls In Place To Ensure Guidelines For Penalty And Add-on Fee Waivers Were Followed And Did Not Apply Discounts Properly
- 2019-003 The Powell County Sheriff Has Not Settled His 2018 Tax Account
- 2019-004 The Powell County Sheriff Has Not Settled Prior Year Accounts

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike H", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

June 24, 2022

POWELL COUNTY
DANNY ROGERS, SHERIFF
SHERIFF'S SETTLEMENT - 2019 TAXES

For The Period April 16, 2019 Through May 15, 2020

	County	Special Taxing Districts	School	State
<u>Charges</u>				
Total Per Sheriff's Official Receipt	\$ 439,582	\$ 714,432	\$ 1,864,061	\$ 605,645
<u>Other Taxes & Charges</u>				
Franchise Taxes	28,568	42,286	110,738	
Additional Billings	99	148	387	345
Mineral Charges	1,503	2,463	6,427	1,815
Penalties	3,789	6,178	16,119	8,793
Gross Chargeable to Sheriff	473,541	765,507	1,997,732	616,598
<u>Credits</u>				
Exonerations	3,473	5,674	14,805	4,434
Discounts	6,793	10,982	28,654	8,406
Delinquent Real Estate	19,071	31,193	81,389	22,985
Delinquent Tangible	127	185	483	322
Total Credits	29,464	48,034	125,331	36,147
Taxes Collected	444,077	717,473	1,872,401	580,451
Less: Sheriff's Commissions*	18,873	30,514	74,896	24,669
Taxes Due Districts	425,204	686,959	1,797,505	555,782
Taxes Paid	424,900	686,976	1,796,019	555,414
Refunds (Current and Prior Year)	302	493	1,282	366
Taxes Due Districts (Refund Due Sheriff)	<u>\$ 2</u>	<u>\$ (510)</u>	<u>\$ 204</u>	<u>\$ 2</u>

**

* Commissions:

4.25% on \$ 1,742,001

4% on \$ 1,872,401

** Special Taxing Districts:

Library District \$ (148)

Extension District (362)

(Refunds Due Sheriff) \$ (510)

The accompanying notes are an integral part of this financial statement.

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT

May 15, 2020

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

KRS 66.480 authorizes the sheriff's office to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

D. Preparation of State Settlement

The Kentucky Department of Revenue prepares the settlement relating to taxes collected for the state under the provision of KRS 134.192(2)(a). This is reported as the "State Taxes" column on the financial statement.

Note 2. Deposits

The Powell County Sheriff maintained deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The DLG Manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the sheriff's deposits may not be returned. The Powell County Sheriff does not have a deposit policy for custodial credit risk, but rather follows the requirements of the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of May 15, 2020, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
May 15, 2020
(Continued)

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2019. Property taxes were billed to finance governmental services for the fiscal year ending June 30, 2020. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 30, 2019 through May 15, 2020.

B. Oil Property Taxes

The oil property tax assessments were levied as of January 1, 2019. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was February 25, 2020 through August 15, 2020. On the sheriff's settlement, the oil property taxes are included with mineral charges.

C. Limestone, Sand, and Gravel Reserves

The limestone, sand, and gravel property tax assessments were levied as of January 1, 2019. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was February 25, 2020 through August 15, 2020. On the sheriff's settlement, the limestone, sand, and gravel property taxes are included with mineral charges.

D. Clay Property Taxes

The clay property tax assessments were levied as of January 1, 2019. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was February 25, 2020 through August 15, 2020. On the sheriff's settlement, the clay property taxes are included with mineral charges.

E. Franchise Taxes

The franchise tax assessments were levied by the Department of Revenue for various tax years. Franchise taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was April 16, 2019 through May 15, 2020.

Note 4. Interest Income

The Powell County Sheriff earned \$143 as interest income on 2019 taxes. The sheriff was in substantial compliance with his statutory responsibilities.

Note 5. Sheriff's 10% Add-On Fee

The Powell County Sheriff collected \$30,875 of 10% add-on fees allowed by KRS 134.119(7). This amount was used to operate the sheriff's office.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable James Anderson, Powell County Judge/Executive
The Honorable Danny Rogers, Powell County Sheriff
Members of the Powell County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards***

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Powell County Sheriff's Settlement - 2019 Taxes for the period April 16, 2019 through May 15, 2020 - Regulatory Basis and the related notes to the financial statement and have issued our report thereon dated June 24, 2022. The Powell County Sheriff's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Powell County Sheriff's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Powell County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Powell County Sheriff's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2019-001, 2019-002, 2019-003, and 2019-004 to be material weaknesses.



Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Powell County Sheriff's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2019-002, 2019-003, and 2019-004.

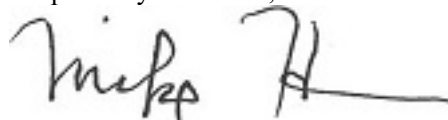
Views of Responsible Official and Planned Corrective Action

The Powell County Sheriff's views and planned corrective action for the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Powell County Sheriff's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

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Mike Harmon
Auditor of Public Accounts

June 24, 2022

SCHEDULE OF FINDINGS AND RESPONSES

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POWELL COUNTY
DANNY ROGERS, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Period April 16, 2019 Through May 15, 2020

FINANCIAL STATEMENT FINDINGS:

2019-001 The Powell County Sheriff's Office Does Not Have Adequate Segregation Of Duties

This is a repeat finding and was included in the prior year audit report as finding 2018-001. The sheriff's office does not have adequate segregation of duties. The sheriff's bookkeeper collects payments from customers, prepares deposits, writes checks, posts transactions to the receipts ledger, posts checks to the disbursements ledger, and prepares monthly and quarterly reports. The sheriff or another employee did not document oversight of any of these activities. A lack of oversight could result in misappropriation of assets or inaccurate financial reporting to external agencies such as the Department of Revenue.

The segregation of duties over various accounting functions such as opening mail, 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 separate the duties involved in receiving cash, preparing deposits, writing checks, posting to ledgers, preparing monthly bank reconciliations, and comparing financial reports to ledgers. If this is not feasible due to budgetary constraints, cross checking procedures could be implemented and documented by the individual performing the procedure.

Sheriff's Response: Payments are taken by Sheriff and other Clerk and both have been active in making deposit and counting money, adding checks and reviewing bank statements and monthly reports. Bank Statements are reconciled and initialed.

2019-002 The Powell County Sheriff Did Not Have Adequate Internal Controls In Place To Ensure Guidelines For Penalty And Add-on Fee Waivers Were Followed And Did Not Apply Discounts Properly

This is a repeat finding and was included in the prior year audit report as finding 2018-004. The Powell County Sheriff did not have adequate internal controls in place to ensure compliance with the proper guidelines for granting penalty and add-on fee waivers to certain taxpayers. Additionally, the sheriff misapplied discounts to collections that did not meet the criteria to receive a discount, specifically, ten instances were noted in which the discount was misapplied on the last day of collections or afterward, including bills in the sheriff's name and the sheriff's bookkeeper's name. Finally, the sheriff failed to maintain proper documentation of waiver forms.

Per the guidance of KRS 134.015, taxpayers may receive a 2% discount for paying tax bills in full by November 1 of the assessment year. Taxes paid in full between November 2 and December 31 of the assessment year are paid at "face value," meaning the total amount of tax calculated is paid. Taxes paid in full between January 1 and January 31 of the year following the assessment year shall be subject to a penalty of 5% of the taxes due and unpaid. Taxes paid after January 31 of the year following the assessment year shall be subject to a penalty of 10% of the taxes due and unpaid. (KRS 134.015(2)(c),(d)).

Additionally, KRS 134.119(7) states, "[a]s additional compensation for the collection of delinquent taxes, the sheriff shall be entitled to an amount equal to ten percent (10%) of the total taxes due plus ten percent (10%) of the ten percent (10%) penalty for all delinquent taxes. This fee shall be added to the total amount due, and shall be paid by the person paying the tax claim if payment is made to the sheriff, or the certificate of delinquency or personal property certificate of delinquency if payment is made after the tax claim has been filed with the county clerk."

POWELL COUNTY
DANNY ROGERS, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Period April 16, 2019 Through May 15, 2020
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-002 The Powell County Sheriff Did Not Have Adequate Internal Controls In Place To Ensure Guidelines For Penalty And Add-on Fee Waivers Were Followed And Did Not Apply Discounts Properly
(Continued)

The sheriff can accept bills that are received in the mail with a proper postmark as if those bills were actually paid on that date (KRS 134.119). Therefore, there will inevitably be bills that are received a few days after the cut-off date of the collection periods that are processed as if those bills were received in a different period. Our test results account for postmarked bills and these have not been reported in the totals.

The tax collection schedule for the Powell County Sheriff was as follows:

Discount Period: if paid by November 30, 2019
Face Period: if paid by December 31, 2019
5% Penalty Period: if paid by January 31, 2020
21% Penalty Period: if paid after January 31, 2020

As outlined in the table below, numerous tax bills were noted in which a discount was misapplied outside the applicable discount period or a penalty/add-on fee was waived without showing reasonable cause as is required to be documented when waivers are granted. Specifically, there were 92 documented instances of misapplied discounts and waivers totaling \$4,969. Of this, we noted several misapplied discounts and waived penalties/add-on fees for the sheriff and taxpayers that have a personal connection to the sheriff's office such as other elected officials, sheriff's office employees, sheriff's special deputies, and relatives of the sheriff, employees, or special deputies.

Add-on fees waived without proper documentation	\$ 2,022
5% penalties erroneously waived	660
10% penalties erroneously waived	1,804
Discounts erroneously applied in face/penalty period	<u>483</u>
Total undocumented waivers of add-on fees/penalties and erroneous discounts applied	<u>\$ 4,969</u>

According to the sheriff, he was unaware of the statutory, regulatory, and manual guidelines in place for penalty waivers or discounts. By waiving penalties and add-on fees of persons not having shown reasonable cause, the sheriff has denied taxing districts and his office monies that could have been used for governmental services and operating the sheriff's office. Additionally, penalty waivers, add-on fee waivers, and discounts have not been applied consistently to all taxpayers.

It is the responsibility of the sheriff's office to implement internal controls to ensure all property taxes and all applicable penalties are collected in accordance with statutes. The sheriff can consider the 10% penalty and 10% sheriff's fee for a waiver under certain guidelines. KRS 131.175 allows for the waiver of penalties when there is shown reasonable cause.

POWELL COUNTY
DANNY ROGERS, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Period April 16, 2019 Through May 15, 2020
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-002 The Powell County Sheriff Did Not Have Adequate Internal Controls In Place To Ensure Guidelines For Penalty And Add-on Fee Waivers Were Followed And Did Not Apply Discounts Properly
(Continued)

KRS 131.010(9) defines reasonable cause as “an event, happening, or circumstance entirely beyond the knowledge or control of a taxpayer who has exercised due care and prudence in the filing of a return or report or the payment of moneys due the department pursuant to law or administrative regulation.” Further, Section 103 KAR 1:040 clarifies “reasonable cause” and outlines specific circumstances that constitute reasonable cause. If a waiver is granted, the waiver form should be maintained by the sheriff’s office at least until that particular collection year has been audited by the State Auditor’s Office.

KRS 134.015 outlines the tax collection schedule, and the circumstances under which discounts may be applied to property tax bills.

We recommend the sheriff establish internal control procedures and implement proper oversight to ensure the requirements of KRS 131.175 and KRS 134.015 are followed. This finding is being referred to the Kentucky Office of the Attorney General and the Department of Revenue for further review.

Sheriff’s Response: Working on resolving this matter. Was unaware that the Waiver Forms need to be filled out during tax collections due to it being so busy this was an oversight. We will prepare forms for the future.

2019-003 The Powell County Sheriff Has Not Settled His 2018 Tax Account

This is a repeat finding and was included in the prior year audit report as finding 2018-005. The sheriff’s 2018 tax account has a fund balance of \$437 and the account has not been settled. The following amounts should be paid in order to settle the 2018 tax account:

Assets

Reconciled Cash Balance	\$ 462
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Total Assets	<u>462</u>
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Liabilities

Unpaid Obligations Per Draft - Taxing District- County	<u>25</u>
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Total Unpaid Obligations	<u>25</u>
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Total Fund Balance as of April 15, 2019	<u><u>\$ 437</u></u>
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POWELL COUNTY
DANNY ROGERS, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Period April 16, 2019 Through May 15, 2020
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-003 The Powell County Sheriff Has Not Settled His 2018 Tax Account (Continued)

The sheriff was waiting until the final audit was completed to determine what amounts were owed to or from the taxing districts before closing the 2018 tax account.

By not promptly paying the County taxing district money owed to it, funds which could be used for the betterment of the community and taxpayers were unavailable.

KRS 134.192(7) states, in part, “[o]n the final settlement, the sheriff shall pay to the county treasurer all money that remains in his or her hands attributable to amounts charged against the sheriff relating to the collection of property taxes... The sheriff shall pay any additional amounts charged against him or her as a result of the settlements.”

The sheriff should pay the county taxing district \$25 for tax collections due. The sheriff should then pay the remaining bank balance of \$437 to the county treasurer and close the official bank account for 2018 tax collections.

Sheriff's Response: Checks have been prepared and signed and will be distributed and once they clear the bank the account will be closed.

2019-004 The Powell County Sheriff Has Not Settled Prior Year Accounts

This is a repeat finding and was included in the prior audit year report as finding 2018-005. Per prior year audits 2014 through 2017, the sheriff had various receivables and liabilities to settle the tax and fee accounts for each year. During our audit period, the sheriff settled all significant receivables and liabilities and closed all old tax and fee accounts. The balances in tax and fee accounts for 2014, 2016, and 2017 were transferred to the 2015 tax account, which resulted in an ending balance of \$11,144 in the 2015 tax account. This entire amount is due the fiscal court as additional excess fees resulting from the balances of fee accounts for 2014, 2016, and 2017 being transferred to the 2015 tax account.

The sheriff did not have adequate controls in place to ensure receivables and liabilities for old accounts were settled correctly and timely. Furthermore, the sheriff did not implement adequate oversight procedures for following up on old accounts to ensure corrective action had been taken as instructed in prior audit periods. As a result, the sheriff has a balance in the 2015 tax account that is actually related to fee account liabilities. The entire balance in the 2015 tax account of \$11,144 (plus any accrued interest), is due the fiscal court as additional excess fees for 2014, 2016, and 2017. In addition to being a violation of statute, failure to settle and close accounts for extended periods of time increases the risk of theft, loss, or misappropriation of funds.

KRS 134.192(1) states, “[e]ach sheriff shall annually settle his or her accounts with the department, the county, and any district for which the sheriff collects taxes on or before September 1 of each year.”

We recommend the sheriff pay the balance in the 2015 tax account to the county treasurer and close the account as soon as possible.

Sheriff's Response: Checks have been prepared and signed and will be distributed and once they clear the bank the account will be closed.