



Auditor of Public Accounts
Mike Harmon

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Contact: **Michael Goins**
Michael.Goins@ky.gov
502.564.5841
502.209.2867

Harmon Releases Audit of Outgoing Campbell County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2014 taxes for outgoing Campbell County Sheriff Jeff Kidwell. 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 April 16, 2014 through December 31, 2014 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 former sheriff's office lacked controls over the 911 service fee and did not provide adequate oversight. The 911 service fee originated with the passing of ordinance O-04-13 for the purpose of providing additional funding for the operation of enhanced 911 emergency

services. These 911 service fees were included on the Campbell County property tax bills, to be collected by the sheriff's office, and disbursed to the Campbell County Consolidated Dispatch Board.

During the audit, auditors determined the 911 service fee was not included on the former sheriff's official receipt or the 2014 outgoing tax settlement. This resulted in a material adjustment by the auditor on the former sheriff's 2014 outgoing tax settlement.

The sheriff's tax software did not maintain documentation for paid and unpaid 911 service fees. The finance director printed a report detailing the amount of 911 fees to be collected before collections began. He then kept a separate ledger on a daily basis accounting for the 911 fees actually collected.

We recommend the sheriff's office immediately implement controls over the handling of the 911 service fee. In addition we have the following recommendations:

- The sheriff's office should include all taxes and fees charged on the tax bills on the settlement.
- The sheriff's office/fiscal court should implement software adjustments to be able to provide all information related to the 911 service fee.

Additionally, we recommend the sheriff's office implement controls/procedures for handling of the 911 service fee when it comes to documenting charges, credits, collections, and distributions.

Finance Director's response: Has been corrected with the implementation of the new tax collection software.

The former sheriff's office had a lack of adequate segregation of duties over tax receipts and disbursements. The employee responsible for handling tax receipts also recorded the receipts in the ledger, prepared the bank deposits, and performed the monthly bank reconciliations. In addition, the employee prepared the disbursement checks and was an authorized signer on checks. With the same employee performing these functions, the risk that errors or fraud may go undetected increases. The following compensation controls should have been implemented to offset this internal control weakness:

- The former sheriff could have periodically compared a daily bank deposit to the daily checkout sheet and compared the daily checkout to the receipts ledger. Any difference should have been reconciled. The former sheriff could have documented this review by initialing and dating the bank deposit, daily checkout sheet, and receipts ledger.
- The former sheriff could have periodically performed surprise cash counts and recounted cash. The former sheriff could have documented this by initialing the bank deposit ticket.
- The former sheriff could have periodically compared the bank reconciliation to the balance in the checkbook. Any difference should have been reconciled. The former sheriff could have documented this by initialing the bank reconciliation and the balance in the checkbook.

Finance Director's response: Has been corrected-Sheriff now performs the above.

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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