



Auditor of Public Accounts
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Harmon Releases Audit of Livingston County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2020 taxes for Livingston County Sheriff Bobby Davidson. 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 May 16, 2020 through April 15, 2021 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 Livingston County Sheriff's Office does have not adequate segregation of duties: This is a repeat finding and was included in the prior year audit report as Finding 2019-001. The Livingston County Sheriff's Office does not have adequate segregation of duties over tax collections and disbursements. The bookkeeper is required to perform multiple tasks such as the collection of cash from customers, deposit preparation, bookkeeping, bank reconciliations, the preparation of monthly reports, and the preparation of checks for disbursements with little to no

oversight. According to the staff, this lack of segregation of duties is due to a limited number of staff and the diversity of operations.

A lack of adequate segregation of duties increases the risk of undetected error or inaccurate reporting. Segregation of duties over these tasks, or the implementation of compensating controls when limited by staff, is essential for providing protection from asset misappropriation and helping prevent inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the sheriff segregate duties to the extent possible or implement compensating controls to offset this internal control weakness. The following procedures should be implemented by the sheriff to segregate duties or implement compensating controls:

- The sheriff should require two signatures on checks with one being the sheriff's signature.
- The sheriff should compare disbursements to the monthly tax reports or other supporting documentation. Any difference should be reconciled. The sheriff should document his oversight by initialing documentation.
- The sheriff should review the settlement and ensure that each column foots properly.
- 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 difference should be reconciled. The sheriff should document his oversight by initialing the bank reconciliations and the balance in the checkbook.

County Sheriff's Response: Our office does not generate enough revenue to hire enough people to have adequate segregation of duties. Also the sheriff views our daily and monthly work and initials our work.

The Livingston County Sheriff did not perform daily checkout procedures or make daily deposits: The Livingston County Sheriff did not perform daily checkout procedures or make daily deposits during the month of December. Instead, checkout procedures were performed, and deposits were made, once a week. According to staff of the sheriff's office, checkout procedures were performed only once a week due to the office being frequently closed and short-staffed due to the ongoing COVID-19 pandemic.

Failure to perform daily checkout procedures and make daily deposits leaves tax collections vulnerable to misappropriation and loss. Additionally, the failure to make daily deposits results in the sheriff not being in compliance with KRS 68.210.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires receipts be kept intact and deposited daily. Additionally, strong internal controls dictate that checkout procedures be performed, and deposits be made daily.

We recommend the Livingston County Sheriff ensure that checkout procedures are performed daily and that receipts are kept intact and deposited daily as required by KRS 68.210.

County Sheriff's Response: The reason for our deposits being late was because of the courthouse being closed for Covid. We are now making sure our deposits are done daily. We have also installed a drop box outside so it will be easier for our customers in times we have to be closed. It is checked daily.

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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