



Auditor of Public Accounts  
Mike Harmon

**FOR IMMEDIATE RELEASE**

Contact: **Michael Goins**  
[Michael.Goins@ky.gov](mailto:Michael.Goins@ky.gov)  
**502.564.5841**  
**502.209.2867**

### **Harmon Releases Audit of Owsley County Sheriff's Tax Settlement**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2014 taxes for Owsley County Sheriff Kelly Shouse. 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 April 15, 2015 in conformity with the regulatory 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 comment:

**The sheriff should ensure that the county clerk prepares franchise bills timely.** The county clerk did not prepare franchise tax bills after September 2, 2014. The county clerk should prepare franchise bills upon receipt of the state assessment certification and promptly give the bills to the sheriff to mail. KRS 133.220 requires the county clerk to prepare tax bills and in part, states "the county clerk shall prepare for the use of the sheriff...a correct tax bill for each

taxpayer in the county....” The county clerk failed to perform this duty, which resulted in 16 franchise bills that were not billed by the sheriff, totaling \$139,457 as of April 15, 2015. We recommend the sheriff work with the county clerk to ensure that franchise bills are timely prepared and mailed.

*Sheriff's response: No response.*

**The sheriff's office lacks adequate segregation of duties.** The sheriff's office lacks adequate segregation of duties because the sheriff's bookkeeper maintains the ledgers, deposits the collections, collects funds from customers, and prepares checks. Good internal controls dictate the same employee should not handle and record receipts and disbursements. Since only one person performs most of these functions, there is no assurance that financial transactions are accurate, complete, and free of errors and misstatements. The functions of receiving, recording, depositing, and reconciling cash should be separated whenever possible in order to decrease the risk of undetected errors, misstatements, and fraud. We recommend the sheriff either segregate these duties or implement steps to strengthen internal controls, such as:

- The sheriff should periodically compare daily bank deposit to the daily tax collection printout. Any differences should be reconciled. The sheriff should document this by initialing the bank deposit and the daily tax collection printout.
- The sheriff should compare his daily tax collection printouts for each month to his monthly tax collection report for each district. Any differences should be reconciled. The sheriff should document this by initialing this district's monthly tax collection report for the month being examined.
- The sheriff should periodically compare payments made to the taxing districts per the monthly tax collection reports to the checks that were actually written. The sheriff should document this by initialing the monthly tax collection report noting that the payment amount agreed with the check.
- The sheriff should periodically compare the bank reconciliation to the checkbook balance. Any differences should be reconciled. The sheriff should document this by initialing the bank reconciliation and the balance in the checkbook.
- The sheriff should personally sign each and every check paid out of his office.
- The sheriff should personally mail or deliver tax payments to the districts.

*Sheriff's response: Do the best we can with limited staff.*

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](#).

###

*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.*

*Call 1-800-KY-ALERT or visit our website to report suspected waste and abuse.*

