

_____ County
 _____, Sheriff
AUDIT PROGRAM
 2021 Sheriff's Tax Settlement

Important item- Please review
Updated information

This audit program is also used when conducting a separate UMC, LSG, OIL audit. Mark sections that are not used, such as Franchises, as N/A. Most sections will apply if doing a completely separate audit. See Step 6.

Full audit procedures are included in the audit binder if there are numerous errors and a full audit is determined to be necessary. Please contact audit manager if you think full audit is necessary.

1st Time
1st Quality

AUDIT GOALS

This is to be a financial and compliance audit of the transactions, books, and accounts of the Sheriff's settlement of taxes of _____ County, Kentucky. This audit is to be conducted pursuant to KRS 43.070, which mandates the Auditor of Public Accounts to audit annually "[t]he books, accounts, and papers of all county clerks and sheriffs." This audit shall be conducted in accordance with Generally Accepted Auditing Standards, Generally Accepted Governmental Auditing Standards, and the APA Audit Guide for Tax Settlements.

SCOPE OF THE AUDIT

The audit will examine the financial records of the Sheriff's taxes as of the settlement dates. It will consist of such tests of the accounting records and the use of such auditing procedures, as we consider necessary in the circumstances. Follow-up work will be performed through the end of fieldwork date.

OVERALL AUDIT OBJECTIVES

- The objectives in the audit program are general in nature and are not necessarily related to specific financial statement assertions.
- A. The audit has been properly planned.
 - B. Consideration has been given to the audit and reporting requirements of funding sources.
 - C. Schedules prepared by government personnel for audit use are clerically accurate.
 - D. The governmental unit's accounting records are clerically accurate.
 - E. There has been a search for and evaluation of (1) commitments and contingencies, including requests from legal counsel, (2) subsequent events, and (3) related party transactions; and these matters are adequately disclosed or recorded in the financial statements, if appropriate.
 - F. Written representations have been obtained from responsible officials and administrators.
 - G. Results of audit procedures, including findings and questioned costs, have been evaluated.
 - H. Financial statements and schedules are presented in accordance with the regulatory basis of accounting.
 - I. The effect on the auditor's report of scope limitations, other auditors, or other matters has been evaluated.
 - J. Matters noted during the audit, including findings and questioned costs and reportable conditions in internal control, have been communicated to the appropriate parties.
 - K. Staff assistants have been properly supervised. Audit documentation and the resulting financial statements and schedules have been reviewed in accordance with APA policies.
 - L. Quality control procedures for independence, integrity, and objectivity, client and engagement acceptance and continuation, personnel management, and engagement performance have been followed.

IDENTIFICATION CODES

The letters preceding each of the above audit objectives (e.g., A, B, etc.) serve as identification codes. These codes are presented below the audit steps, when a procedure addresses an objective.

Initial/Date	Reference

AUDIT OBJECTIVES FOR ENGAGEMENT PLANNING AND SUPERVISION

- A. Proper communication has been made between the Sheriff and APA audit staff including communicating the engagement reporting objectives.
- B. APA audit staff has complied with independence standard outlined in Government Auditing Standards.
- C. Required preliminary procedures and evaluation of audit risk has been documented (including internal control evaluation)**
- D. Consideration has been given the internal audit function, if applicable.
- E. Materiality has been established.
APA audit staff have gained a sufficient understanding of the County Sheriffs
- F. operations and accounting and financial reporting functions.
- G. Consideration has been given to related parties and transactions.
- H. Analytical procedures have been properly planned.
Adequate understanding of internal control over financial reporting has been
- I. gained by APA audit staff.
- J. Appropriate thresholds for a financial statement misstatement has been established
- K. Financial statement compliance requirements have been outlined.
- L. Identification of supplementary information has been made.
- M. Audit approach has been identified.
- N. Other matters, such as auditee communication, access to audit documentation, etc.

GENERAL PROCEDURES

Engagement planning and supervision

1. **Engagement Letter.** Contact audit manager two weeks in advance of the beginning of the audit engagement to request the Engagement Letter be sent to the auditee. Auditor should obtain the Engagement Letter from the official and have it signed at the entrance conference. After scanning the Engagement Letter, it can be returned to the official. If the official can't provide the Engagement Letter, contact Lorrie Hawkins, APA, for a copy.
Make sure Engagement letter audit period agrees to audit period under audit, if not contact manager.
 - a.) Determine if the Sheriff has made final settlement with the fiscal court.
Note: If Sheriff has not made settlement with the fiscal court or the state settlement has not been completed, DO NOT begin the audit without contacting manager. (A)
2. **Client Acceptance Form.** Complete the Client Acceptance Form and file in the audit binder.
3. **Independence.** All engagement team members: Consider your independence status. Determine if there are any, personal, external, or organizational impairments to independence. If so, the standard requires the auditor to decline to perform the audit, or if that is not possible, it requires the impairment to be reported in the scope section of the audit report. (GAO para 3.25 & 3.44) Auditors should sign an APA independence statement annually, which is maintained in Frankfort. If you have not completed and signed an independence statement, or it is outdated, please file a copy with the audit documentation and mail the original to the APA office. (B)
 - a.) **Complete the consideration of independence issues work paper.**
READ THE ENTIRE FORM CAREFULLY, EXTENSIVE UPDATE
Any questions concerning potential independence impairments should be discussed with AIC and AM before fieldwork begins, or as soon as the issue is noted.
 - b.) *For audits to be performed in accordance with Generally Accepted Government Auditing Standards, the staff assigned to perform an audit must collectively possess the adequate professional competence needed to address the audit objectives and perform the work in accordance with GAGAS (GAS 4.02). The audit organization's management should assess skill needs to consider whether its workforce has the essential skills that match those necessary to perform the particular audit (GAS 4.04).*
4. Determine if there are reasons why we should delay the start of the audit.
Reasons could be litigation status or investigations by law enforcement agencies.
5. **Competence.** For audits to be performed in accordance with *Generally Accepted Government Auditing Standards*, the staff assigned to perform an audit must collectively possess adequate professional competence needed to address the audit objectives and perform the work in accordance with GAGAS (GAS 3.69) The audit organization's management should assess skill needs to consider whether its workforce has the essential skills that match those necessary to perform the particular audit (GAS 3.70)

	A-01
	A-01a
	Auditor Must Have An Independence Statement On File With The APA office A-27
	APA Quality Control System

Audit experience has been considered by the Audit Manager before auditors were assigned to this engagement. The Audit Manager has determined that staff assigned have the appropriate competence and capabilities, and relevant resources to plan and perform the engagement. Reviewers are also assigned only after consideration of their level of skill and proficiency on type of engagement. If you are concerned about the competency of either the staff assigned or reviewer assigned, please note here and contact the Audit Manager immediately.

Note: Review APA Policy folder for policies applicable to Sheriff Tax Settlement Audits.

<p>6. Prior Year Documents. Review prior year audit documentation and audit report. Document significant items that will be helpful in the current audit. Identify all risks of magnitude which are highly likely and summarize on Risk Assessment at Summary at A-18b.</p> <p>Be sure to document follow-up of prior year comments at the end of the audit. This includes follow up on prior year(s) audit amounts due to and from the sheriff's tax accounts from the prior year determination of fund balance.</p> <p>Suggested areas to review are: (L,E)</p> <ol style="list-style-type: none"> The internal control questionnaire. Any adjusting and reclassification entries. The prior year review notes. The exit conference and audit report presentation. The governmental audit planning form. Recommendations to future auditors <p>OR</p>	<p>A-02 A-02a A-02b A-02c</p>
<ol style="list-style-type: none"> Inquire of the predecessor auditor (audit completed by outside CPA in prior year) regarding matters that you believe will assist you in completing the current audit. (AU-C 510) Obtain Sheriff's signature on Predecessor Auditor Inquiry Letter. Obtain form from FC binder if needed. Review the predecessor auditor's documentation. If there has been a change in auditor from the prior year, discuss audit with preceding AIC or CPA firm [AU-C 510] (A) New Audit or Re-Audit. AU-C Section 510 requires the auditor to read the most recent financial statements and the predecessor auditor's report thereon, if any, for information pertinent to opening balance, disclosures, and consistency in the application of accounting policies. In addition, if the prior-period financial statements were audited by a predecessor auditor, the auditor should request management to authorize the predecessor auditor to (1) allow a review of the predecessor auditor's audit documentation, and (2) respond fully to inquiries made by the auditor. <p><i>Inconsistent application of accounting policies .</i> If the auditor concludes that the current period's accounting policies are not consistently applied regarding opening balances, the auditor should express a modified opinion or an adverse opinion, as appropriate, on the financial statements.</p> <p><i>Inappropriate application of accounting policies .</i> If the auditor concludes that a change in accounting policies is not properly accounted for, presented, or disclosed, the auditor should express a modified opinion or an adverse opinion, as appropriate, on the financial statements.</p> <p>NOTE: <i>If review of prior year documentation at a CPA firm will require extensive travel (over 75 miles one way), consult with audit manager first. Another auditor may do the review for you. If the prior year audit is not available, contact your manager.</i></p>	<p>A-03d A-03e</p> <p>A-03f</p>
<p>7. Sheriff's Tax Settlement. Obtain a copy of the sheriff's settlement and state settlement for audit documentation: (D)</p> <ol style="list-style-type: none"> Normal tax collections. Unmined coal tax collections. Limestone tax collections Oil and gas collections <p><i>If considered necessary, obtain an electronic copy of the state settlement from the corresponding Department of Revenue Field Representative.</i></p> <p>8. Entrance Conference. Hold and document entrance conference. Discuss the type, scope, and timing the audit with responsible officials or staff and, if applicable, the audit committee of the governing body. Also, discuss adequacy of working space for the audit team, access to client records, and assistance, if any, to be furnished by the client. Obtain a copy of the engagement letter and document in the audit documentation your discussion with the official. (A,E,M)</p>	<p>A-12 A-13</p> <p>A-03</p>

<p>Consider the following items and any others you feel will have an impact on the audit. Document significant items only.</p> <ul style="list-style-type: none"> a. Disposition of prior year audit comments. b. Extent of client assistance to be provided, if any. c. Communication of significant laws, regulations, and fiscal court orders that would materially affect the settlement. d. Do you have a separate bank account for Unmined Coal? For Oil Reserve, Gas Bills? e. Discuss any new accounting or auditing standards or developments. f. Going Concern - Question #20 in the Entrance Conference should be considered during planning. If going concern is an issue, address it early in the fieldwork instead of in completion. g. Discuss non-audit services with management. Develop the Non-audit Services Planning Document with relevant information. If circumstances change during fieldwork and additional non-audit services are determined to be necessary, update this form with all pertinent information for those services. Provide a completed copy of the document to management. h. Request the client submit a list of depositories and their addresses, including account numbers, account names at each depository and depository contact person. <p><i>Practical Consideration – The auditor may wish to request the client to submit a list of depositories and their addresses, including account numbers, account names at each depository, and depository contact person.</i></p>		<p>A-03b</p> <p>A-03c</p> <p>B-02</p>
<p>Specialists & others. Determine the extent of involvement, if any, of other audit firms, consultants, specialists, or internal auditors. (C)</p> <ul style="list-style-type: none"> a. If our firm is the principal auditor and another audit firm is involved as the other auditor, inquire about its independence and professional reputation. (See the “Request for Representations from Other Auditor” in ARM. If the other auditor has made an inquiry of our firm, see the “Principal Auditor’s Response to Inquiries from Other Auditor” in ARM. b. If the work of a specialist will be used during the engagement, determine that it is used in accordance with the requirements of AU-C 620, <i>Using the Work of a Specialist</i>. If a specialist is needed for this engagement, we must document specific information required by professional standards. Please complete A-10b (auditor retained specialist) or A-10c (management retained specialist) as needed. If information used as audit evidence was prepared using the work of a specialist with expertise in a field other than accounting and auditing (a management’s specialist), contact audit manager and QA for appropriate forms-AUD 603 or AUD-604. (AU-C 620.07) <p>10. c. If the work of internal auditors will be used in the engagement, determine that that is used in accordance with the requirements of AU-C 610 <i>Using the Work of Internal Auditors</i> . Document this on the Planning Memo ©</p>		<p>A-10b</p> <p>A-10c</p> <p>A-10d</p>
<p>Fiscal Court Order Review. Review fiscal court orders for sheriff’s settlement and tax rates on all districts. (E,F)</p> <ul style="list-style-type: none"> a. Verify date tax settlements were made for normal and/or other tax types. b. Determine if SPGEs reported new or increased tax rates to the fiscal court. <p>NOTE: <i>Best practice is that all tax rates should be included in the Fiscal Court minutes. Rates should agree to tax rate letters sent to County Clerk (See Step 2a below (Row 714). Have all the required tax rate forms been submitted to the county clerk? If so, it is fine if there is not acceptance in the fiscal court minutes. If the districts do not present to the fiscal court AND the tax rate is unchanged from the prior year, this is not a material non-compliance that we need to write up. However, if the tax rate has changed since the prior year, it is the district’s responsibility to report the change to the fiscal court. Compare this to a tax bill for agreement. If rates do not agree, auditor will need to contact the district to verify rate.</i></p> <p><i>Per KRS 65A.100, beginning in January 1, 2014, any special purpose governmental entity that adopts a new fee, or increases the rate of an existing fee must report to the Fiscal Court at least 30 days before the new or increased rate is effective. This is for informational purposes only (as the Fiscal Court shall not have the authority to adjust, amend or veto). The Fiscal Court shall include notification of this in their minutes.</i></p> <p><i>Most SPGEs will have to seek approval of the property tax rate from its establishing entity (either county or city) if they want to set a rate that exceeds the compensating tax rate or if they are setting a rate for the first time. The SPGE Board will continue to annually adopt a rate but it may have to go through this new approval process.</i></p>		<p>A-04</p>

11. Recap. Recap Sheriff's county settlement (all districts). Use the DOR's settlement for the state taxing district. (Per DOR sheriff does not have to prepare a settlement for the state since DOR prepares) (In accordance with KRS 134.192).

12. Materiality. Complete materiality worksheet for normal tax collections and any other tax types. Identify material accts on the recap of sheriff's settlement at **A-14** (D,I) (Initial materiality computation will include all tax types >> Unmined Coal, Oil/Gas, etc.) <see planning Step 4. - materiality will help determine if tax type is included or excluded with the audit of normal tax collections>

List or document the accounts where the planning materiality amount is exceeded. Based upon this evaluation, these settlement items should be tested during the audit engagement. Use auditor judgment to determine if additional non-material accounts should be tested based on fraud risk or identified risk factors or other information. Consult with Audit Manager if unsure. (AU-C 320)

In performing the audit, the auditor is concerned with matters that, either individually or in the aggregate, could be material to the financial statement. The objective of the auditor is to evaluate the effect of: (AU-C Section 320)
a) identified misstatements on the audit and
b) uncorrected misstatements, if any, on the financial statement (AU-C 450.03)

ADDITIONAL GUIDANCE:

Section AU-C 500, Audit Evidence, states the auditor is not free to collect unlimited amounts of evidence, as he or she must work within economic limits. However, cost cannot be the sole basis for the quality of audit procedures, and the difficulty and expense of a test is not a valid reason for omitting it. (D,I)

13. Preliminary Analytical Procedures. Complete Preliminary Analytical Review Worksheet to help determine the nature, timing, and extent of other auditing procedures. (G)
If there is a separate UMC settlement, complete Preliminary Analytical Review Worksheet for UMC also.
Identify all risks of magnitude which are highly likely and summarize on Risk Assessment at Summary at **A-18b**.
NOTE: Guidance for full-year to part-year comparison options is included on **A-15**.

14 Overview of the Risk Assessment Process

Section AU-C 315.01 addresses the auditor's responsibility to identify and assess the risks of material misstatement in the financial statements through understanding the entity and its environment, including the entity's internal control. The objective of the auditor is to identify and assess the risks of material misstatement, whether due to error or fraud, at the financial statement and relevant assertions levels through understanding the entity and its environment, including the entity's internal control, thereby providing a basis for designing and implementing responses to the assessed risks of material misstatement. (AU-C 315.03)

a) Gain an Understanding of the Entity and its Environment

Obtain an understanding of the Sheriff's office and environment and its audit risk factors (including the risk of material misstatement due to fraud) by completing or updating the Governmental Audit Planning Form and the attached Documentation Table. (AU-C 315)

	A-14
	A-16
	A-16a
	A-15
	A-21 A-05 A-08 A-09

b) Service Organization:

Inquire of management if they use a service organization (AU-C 402) and if so, whether the service organization has reported to the entity any fraud, noncompliance with laws and regulations, or uncorrected misstatements. If so, the user auditor is required to evaluate how such matters affect the nature, timing and extent of the user auditor's further audit procedures. One way a user auditor may obtain evidence about the quality and accuracy of the data provided to a user entity by a service organization is to obtain a service auditor's report on controls at the service organization that affect data provided to the user entities and incorporated in the user entities' financial statements.

The user auditor should determine whether he or she has obtained sufficient understanding of the nature and significance of the services provided by the service organization and their effect on the user entity's internal control relevant to the audit to provide a basis for the **identification and assessment of the risks of material misstatement. The user entity may have sufficient controls over the information processed by the service organization. This is typically the case in most small business audits in which the entity uses a payroll processing service.** However, if the user auditor is unable to obtain sufficient understanding at the user entity, the user auditor should obtain that understanding from one or more of the following sources:

Obtain and read a copy of the one of the following types of service auditor's report on the service organization's control system, if available:

-- Type 1 Report -- Report on management's description of a service organization's system and the suitability of the design of controls.

--Type 2 Report -- Report on management's description of a service organization's system and the suitability of the design and operating effectiveness of controls.

Please see AU-C 402 and talk to your manager if you have further questions or issues in regard to service organizations. (E, F, H)

If the work of a specialist will be used during the engagement, determine that it is used in accordance with the requirements of AU-C 620, *Using the Work of a Specialist*.

NOTE: If the Sheriff uses an outside vendor only for the preparation of tax bills, we would not consider the Sheriff to be a user entity of a service organization.

A-10

c) Document Internal Controls

The auditor should obtain an understanding of internal control relevant to the audit. Although most controls relevant to the audit are likely to relate to financial reporting, not all controls that relate to financial reporting are relevant to the audit. It is a matter of the auditor's professional judgment whether a control, individually or in combination with others, is relevant to the audit (AU-C 315)

In obtaining knowledge about the design of controls relevant to an audit of the financial statements, the auditor must determine what controls have been placed in operation and document this accordingly generally on the internal control narrative. The knowledge should be obtained by completing the internal control questionnaire, inspection of documents and records, and observation of the Sheriff's activities and operations. Inquiry alone is not sufficient.

NOTE: Key controls must be documented.

Please Note: It should be noted that risk assessment procedures by themselves do not provide sufficient audit evidence on which to base an audit opinion. Therefore, further audit procedures are necessary in all audits, regardless of the risk assessment. (AU-C 315)

Also, the assessment of the risk of material misstatement should be performed at the assertion level (AUC 315)

A-11

d) IT Questionnaire. Discuss with the official and complete information technology questionnaire. AU-C 315.19 requires the auditor to obtain an understanding of the information technology controls and their significance in relation to the audit of the financial statements, and then determine the need for an IT specialist.

A-11c

<p>e) Review the log of data breach notifications at: H:/ Cybersecurity Notification Log/Cyber Security Notification Log 5/17/19 Use this review to determine if there is a risk associated with data breach for this office.</p>		
<p>f) Fraud Risk Assessment. Document the governmental unit's fraud risk, including the risk of material misstatement due to fraud, by completing the Fraud Risk Assessment Form and Inherent Risk Factors. Use the Fraud Interview Outline to document interviews. If information concerning a possible illegal act (AU-C 250) or fraud (AU-C 240) came to the auditor's attention during the performance of this audit, as well as the identification of any fraud risk factors, discuss with Audit Manager. The AIC should then obtain an understanding of the nature of the act, the circumstances in which it occurred and sufficient other information to evaluate the effect on the financial statements. Identify all risks of magnitude which are highly likely and summarize on Risk Assessment at Summary at A-18b. Determine if there is a need for a staffing change due to fraud risks noted. Contact your audit manager for guidance.</p>		<p>A-17 A-07 A-18a A-18b</p>
<p>g) Review the Qualifications Checklist to familiarize yourself with the issues to look for during testing. This checklist should be completed after testing.</p>		<p>Z-06</p>
<p>h) Review the list of possible internal control deficiencies listed in Examples of Internal Control Deficiencies to familiarize yourself with the issues to look for during the course of the audit.</p>		<p>Z-14</p>
<p>i) Review Inherent Risk Factors Form. Inherent risk is the susceptibility of an assertion about a class of transactions, account balance, or disclosure to a misstatement that could be material, either individually or when aggregated with other misstatements, before consideration of any related controls. (C, I) Inherent risk will be documented on A-18b.</p>		<p>A-18a</p>
<p>15. Brainstorming (Team Discussions) (AU-C 315.A14) Hold brainstorming fraud and risk discussion. Identify all risks of magnitude which are highly likely and summarize on Risk Assessment Summary at A-18b and the Fraud Risk Assessment at A-17. AU-C Section 240 indicates that this discussion should include an exchange of ideas or brainstorming about (1) how and where the entity's financial statements might be susceptible to material misstatements due to fraud, (2) how management could perpetrate and conceal fraudulent financial reporting, and (3) how assets of the entity could be misappropriated. This discussion should set aside beliefs about the honesty and integrity of the entity's management and those changed with governance. Document follow-up meeting at completion of fieldwork.</p>		<p>A-19</p>
<p>16. Inquire of Audit Manager for any hotline tips and/or allegations to consider for risk assessment. Test accordingly.</p>		<p>A-07a</p>
<p>17. Complete Risk Assessment Summary</p>		<p>A-18b</p>
<p>18. Tests of Controls. If you have decided to test internal controls, complete <A-22.1>. Note: Tests of controls are required in the following instance: If substantive procedures alone are not effective to reduce risk to an acceptably low level, typically in highly automated processing environments in which a significant amount of information is initiated, authorized, recorded, processed, or reported electronically.</p>		<p>A-22.1</p>
<p>19. Substantive Tests. To plan substantive tests to be performed once control risk is assessed and/or internal controls are tested, complete substantive testing work papers.</p>		<p>A-22</p>
<p>While designing substantive testing, incorporate an element of unpredictability to address the risk of management override of controls. For any test where we say "select XX judgmentally" document any change from the stated amount and why you felt that was appropriate or necessary.</p>		
<p>20. Complete Material Accounts Analytical Review to determine if additional risks are noted due to changes in material accounts.</p>		<p>A-20</p>
<p>20.5 Complete the Audit Planning Memo. Use the information developed concerning materiality levels, the internal control and the related assessments of control risk, the results of analytical procedures, and the evaluation of other factors impacting the</p>		<p>A-06</p>

audit risk to plan the following and document in memo form: (L)

| | |

<p>a) The extent of supervision and staffing requirements. b) The overall strategy for the conduct and scope of the audit. c) The nature, timing and extent of substantive tests. d) Overall evaluation of audit risk. e) Document conclusions in the planning document and revise time budget, if necessary.</p>		
<p>21. Related Party Transactions - Due to the nature of the STS operations, the risk of related party transactions are low, however, if there are related party transactions, evaluate them and determine the need to disclose.</p> <p>Are there any Related Party Transactions to disclose? Yes _____ No _____ If yes, document your evaluation in the audit documentation.</p>		A-26
<p>22. DISCLOSURES - Complete the disclosures work paper to document disclosures determined to be significant in this audit. This document should be updated periodically during the audit as additional disclosures are determined to be necessary. Review the document during completion to ensure all disclosures have been made in the report. (AU-C Section 330 (K))</p>		A-25 A-25a
<p>23. Time Budget. In-charge auditor will prepare time budget based upon the hours set by manager. If a budget amendment is necessary, the auditor should submit this to the audit manager before the original budget hours are exceeded. The approved request should be placed in the work papers and yellow processing folder.</p>		Z-17
<p>24. Rep Letter. Obtain a legal representation letter from the County Attorney. The Sheriff must sign the legal representation letter request. If you cannot obtain a legal representation letter, it is office policy to modify the opinion on the financial statement. Prepare a conclusion based upon the County Attorney's response. (AU-C Section 501). <i>Legal representation letter should be obtained prior to or on end of fieldwork date. If the legal representation letter is dated more than one month before the end of fieldwork date, auditor should follow up to determine if any changes have occurred since the response was received.</i></p>		Z-10
<p>25. Prepare all exit and/or report comments applicable to this section. Document this on RCW/RNI form.</p>		A-50 Series
<p><u>CONCLUSION</u></p> <p>We have performed procedures sufficient to achieve the audit planning objectives, and the results of these procedures are adequately presented in the accompanying audit documentation. (If you are unable to conclude that the audit has been properly planned and the office's quality control procedures have been followed, prepare a memo documenting your reasons.)</p>		
<p><u>CASH</u> Audit Objectives: (A-F establish links from assertions)</p> <p>A. Existence or Occurrence: Cash as reflected in the financial statements (deficit statement) is on hand, in transit, or on deposit with third parties (depositories/other governmental agencies) in the name of the County Sheriff.</p> <p>B. Completeness: All cash of the County Sheriff's office is included in the financial statements (deficit balance).</p> <p>C. Rights and Obligations: Conditions or agreements that limit the County Sheriff's rights to or obligations concerning cash are properly reflected in the financial statements.</p> <p>D. Valuation or Allocation: Cash balances per the County Sheriff's financial records reflect a proper cutoff of receipts and disbursements and are stated at the correct amount.</p> <p>E. Presentation and Disclosure: Cash balances are properly presented (deficit statement), and related disclosures are adequate.</p> <p>F. Cut-Off: Cash receipt transactions at year end have been collected and recorded in the correct accounting period.</p> <p>(Additional Objectives-Compliance)</p> <p>G. To prepare bank reconciliation or a proof of cash and reconcile to receipts and disbursements ledgers, and to audited financial statements.</p> <p>H. Depositories are legally acceptable and separate depository accounts are maintained as required.</p> <p>Note: The deficit schedule is Supplementary Information and is prepared from the official's accounting and bank records.</p>		

These are the same records used to prepare the financial statement at C-03.

--	--

Cash Audit Procedures:

1. Confirm tax account bank balance as of end of tax year. Also obtain information on any escrow accounts the Sheriff may have. Escrow account information will need to be disclosed in the notes to the financial statement.
Should be April 15th (Unless April 15th is a weekend or tax collections extended to starting collections late). (A,B,C)
Also date may be extended due to COVID-19.
Note: If you use the confirmation.com service or any service that requires payment from the APA, notify Tim Gutman with the details ASAP.

NOTE: AU-C 505 states that an oral response to a confirmation does not meet the definition of an external confirmation.

If you have any issues with confirmations, consider the following:

If the auditor had doubts about the reliability of a response to a confirmation request, did the auditor obtain further audit evidence to resolve those doubts?

If the auditor determined that a response to a confirmation request was not reliable, did the auditor evaluate the implications on the assessment of the relevant risks of material misstatement, including the risk of fraud, and on the related nature, timing, and extent of other audit procedures?

	B-01
<p>2. Have the Sheriff provide a list of bank accounts. This should include any escrow and "off the books" accounts, plus any prior year tax accounts which had a balance during the year. Have the Sheriff sign the list and scan into the audit binder. (B)</p>	B-02
<p>3. Prepare proof of cash for Sheriff's tax account for the tax year. Should be as of April 15th. (Unless April 15th was weekend of tax collections extended due to starting collections late) Also as of date may be different due to COVID-19.</p> <p>a Perform bank trace(s) then:</p> <p>b Prepare schedule of deposits in transit. (D,E,F) Investigate significant deposits after sale date.</p> <p>c Prepare a schedule of receivables (D,E,F)</p> <p>d Prepare schedule of outstanding checks. (D,E,F)</p> <p>e Prepare schedule of outstanding liabilities. (D,E,F)</p> <p>f Recap cancelled checks for tax payments to each tax district and Sheriff's fee account. Inspect back of checks for endorsements. The actual checks may not be available for inspection. If backs of checks are provided in imaged form, use those. If only the fronts are available in imaged form, you should request a sample from the bank. (D,E,F) <i>If the sheriff can export a check register, you can sort it and use rather than recapping all the checks.</i></p>	B-00 B-03 B-04 B-04a B-05 B-06 B-08
<p>3a. Determine whether returned checks have been collected and redeposited into the tax account. Letters should be sent to taxpayers informing them that their check was returned and that their bill is unpaid. Bills should be marked paid as of the date the taxpayer ultimately repays the bill, not the date of the original check. Recap uncollected returned checks and verify that the associated tax bills have been marked unpaid, included on the Sheriff's Delinquent List and turned over to the County Clerk for collection. (D,E,F)</p>	B-03a
<p>3b. Prepare a bank trace and follow up on financial activity for all prior year tax accounts. For any open bank accounts not examined during Follow Up of PY- Determination of Fund Balance: Scan all bank statements for each account open during the year but not used for the current year tax settlement. If there is any bank activity that was not accounted for on the prior year determination of fund balance, prepare a bank trace and follow up on all financial activity of all prior year tax accounts. <i>This is to ensure all prior year tax accounts have been properly accounted for and closed per our prior year audits. One risk is that they are transferring prior year funds to a current year account to cover shortages. A finding should be issued if old accounts have not been closed out.</i></p>	B-00 Or Other Workpaper
<p>4. Updated guidance on Escrows: KRS 134.192 Annual settlement of tax collections by sheriff (7) On 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, and shall take receipts as provided in KRS 134.160. The sheriff shall pay any additional amounts charged against him or her as a result of the settlements. How to handle overages/unclaimed funds: 1. Outstanding uncleared checks - escrow and follow escheat rules 2. Unexplained overages- are to be paid to the county treasurer after audit. 3. Prior year escrow account balances should be accounted for and handled as noted in #1 or #2 above.</p>	

Escrow Accounts Prepare bank trace, proof of cash or other procedures necessary On **ALL** escrow accounts. Determine escrow accounts are being maintained and escheated properly to the state. Prepare appropriate financial statement note disclosures for the audit report.

B-11

Notes to financial statement should only include notes for funds already escrowed. If in current year audit, you are recommending funds be escrowed, then they would not be included in the notes to the financial statement as an escrowed account. You would recommend that they escrow funds in exit and follow up in next audit and report/disclose properly. All escrow funds should be reviewed each year. The note should include all funds from all years that have been escrowed. If the sheriff has more than three years of escrowed funds, an exit comment may be necessary to escheat these funds to the state. (Escrowed funds per note to f/s should agree with the Escrow proof of cash.)

5. Examine Risk Assessment Summary to determine if further testing is needed. Suggested further procedures:

- Surprise cash count
- Expand testing of daily checkout sheets.

6. Prepare all exit and/or report comments applicable to this section. Document this on RCW/RNI form.

CONCLUSION

We have performed procedures sufficient to achieve audit goals and objectives of this office. These procedures are adequately presented in the accompanying audit documentation.

INVESTMENTS AND DEPOSITS

Audit Objectives:

(A-E establish links from assertions)

- A. Existence or Occurrence: Investment balances are evidenced by securities or other appropriate legal documents either physically on hand or held in safekeeping by others and include all the governmental unit's investments.
- B. Completeness: The County Sheriff reports all balances of investments and investments are of the types authorized by law, contract, and the investment policy of the governmental unit. Investments are adequately collateralized by the sheriff's financial institutions.
- C. Rights and Obligations: Conditions or agreements that limit the Sheriff's rights to or obligations concerning inventory are properly reflected in the financial statements.
- D. Valuation or Allocation: Investment values and income are recorded correctly in the County Sheriff's financial records.
- E. Presentation and Disclosure: Investment disclosures, including restrictions and commitments, are adequate.

(Additional Objectives-Compliance)

- F. Depositories are legally acceptable, adequate collateral has been pledged at depositories for the County Sheriff's deposits; and separate depository accounts are maintained as required.

Audit Procedures: (For all tax accounts)

- 1. Verify that all investments and interest bearing bank account revenues were included as interest earned. (B,C,D,E)
- 2. Compare copies of all collateral agreements the sheriff has with depositories and determine how much FDIC insurance coverage the official has. (The analysis should include tax and fee accounts in aggregate if at they are at the same depository institution.) (A,E)
- 3. Confirm pledge of securities with depositories as of the settlement date. High balance date will only be tested if custodial credit risk is high. If repurchase agreements exist: (A-F) a) Review terms of repurchase agreements. Terms should include the type and coupon rate of collateral and the repurchase date and price. Review the master agreement and place a copy in the audit documentation. This test should include ALL bank accounts.

Confirmation is not required if the official's depository institution participates in an Insured Cash Sweeps (ICS) program. In an ICS program, after the official's total deposits exceed FDIC coverage of \$250,000, the excess is moved to another financial institution where it is eligible for an additional FDIC coverage of \$250,000. The official must have a signed ICS agreement with their depository institution.

	A-18b
	B-50 Series
	B-00 B-03
	B-09
	B-10a

- 4. Include a copy of the written securities agreement or Insured Cash Sweeps (ICS) program agreement within the audit documentation. (A-F)

B-10b

Policy Note: All uncollateralized funds should be reflected in the exit conference and notes to the financial statements. Refer to Policy #18 Collateralization of Deposits for guidance on when to include as a report comment.

Practical Consideration:

To determine those accounts that require deposit collateral, the auditor should apply the following criteria:

1. Determine the officers, employees, or agents of the governmental unit having official custody of funds and lawfully entitled to deposit funds.
2. For each official custodian depositing funds in each insured bank in a state in which the governmental unit is located.
3. Add together all time and savings accounts (including all NOW accounts, money market deposit accounts, etc.). Add all demand deposits accounts (e.g., interest and noninterest bearing checking accounts). The total of these accounts is insured up to a maximum of \$250,000 for each type. The total FDIC will be \$500,000. This is true for officials doing business with banks within the state.
4. For each official custodian depositing funds in each insured bank in a state outside the state in which the governmental unit is located, add together all demand deposit accounts and time and savings accounts. The total of all these accounts is insured up to a maximum of \$250,000.
5. When an insured bank acts as a fiduciary or co fiduciary of trust accounts, each separate trust estate is insured up to a maximum of \$250,000
6. The FDIC coverage of Section 457 deferred compensation accounts varies depending on the trust provisions in effect and the financial institution where the funds are being held.

A pledge of collateral for a deposit is not valid against the FDIC unless it satisfies the following requirements: a) The security agreement must be in writing; b) It must be approved by the depository institution's board of directors or loan committee, and that approval must be reflected in the minutes of the board or committee; and c) It must be an official record of the depository institution continuously since it was executed.

CONCLUSION

We have performed procedures sufficient to achieve audit goals and objectives of this office. These procedures are adequately presented in the accompanying audit documentation.

GENERAL SETTLEMENT PROCEDURES: (REQUIRED)

REVENUE AND CHARGES

1. **Obtain the following records and incorporate into the binder:**
 - a. Obtain "Certification of Equalized Assessment" and "Sheriff's Official Receipt" (signed copy) from the **County Clerk and/or PVA**. If there are multiple school districts, obtain "County Clerk's Recapitulation of Property Tax Roll" which summarizes real estate assessments for each school district. Consider asking Sheriff if he is collecting any taxes not included on the official receipt (i.e. fire dues).(C/D)
 - b. If this is an outgoing/incoming audit, check to see that the amount transferred from the outgoing sheriff agrees to the amount shown as being transferred into the incoming sheriff.
 - c. Obtain copies of any other official receipts for taxes to be included in this settlement and scan into binder:
 - Official Receipt - Oil
 - Official Receipt - Gas
 - Official Receipt - Unmined Coal
 - Official Receipt - Limestone Sand and Gravel
 - Official Receipt - Omitted Tax Bills
 - Official Receipt - Additional Tax bills
 Obtain copy of bank franchise certification
 - d. Obtain Department of Revenue (franchise) listing of State Certification of Equalized Assessments List from audit manager. Verify that all auditors with access to the franchise certifications have a signed DOR confidentiality form on file. Insert electronic copies of franchise certifications into the binder. Auditor will also need prior year certifications from the prior year audit.
 - e. Obtain current and prior year(s) Distilled Spirits Certifications from the County Clerk. Scan into binder.
 - f. Obtain Exoneration List and scan into binder. (Scan or import entire list)
You may be able to export the list out of the tax software.
 - g. Obtain delinquent tax listing that includes signed coversheet documenting transfer to the county clerk. Scan entire list into binder (you may be able to export it in the tax software) since delinquent tax will be tested at **C-32**.

	C-20a C-21
	C-20a
	C-20b C-20c C-20d C-20e C-24a C-26a C-27
	C-22
	C-23a
	C-06
	C-07

2. Recap taxing districts and tax rates
Taxing districts and tax rates can be obtained from the PVA or County Clerk. (C,D)
 - a. Verify tax rates with County Clerk by reviewing taxing district tax rate letters. Compare to rates included in the State Property Tax Rate Book. Scan in all letters.

Fires Dues: We need to verify fire due amounts. We want to make sure the tax bills are correct. It's always helpful to review the fire due ordinance so we can see if it addresses the rate of commission and other information.
 - b. Judgmentally select 5 tax bills and verify rates submitted by taxing districts agree to tax rates included on tax bills.
If variances are noted, contact your audit manager before proceeding with testing.
3. Recap Monthly Tax Reports to taxing districts. (C,D)

C-21a

C-21a.1

C-21a.2

C-08

SHERIFF SETTLEMENT - DETERMINATION OF PROCEDURES

1. Compare Sheriff's Settlement amount Due to Districts to Bank Balances
Determine from comparison of Sheriff's Settlement and Proof of Cash/Bank Balance if:
 - Taxes collected per the proof of cash and determine if variance is reasonable
 - Taxes paid per the proof of cash and determine if variance is reasonable
 - The cash balance per the proof of cash to determine if the balance agrees reasonably to taxes due per the sheriff's settlement
(Acceptable means the variance is below Trivial per A-16 Materiality)
2. Determine type audit procedures based upon risks noted in planning, cash work, and comparison of sheriff's settlement to recap of reports.

C-01

C-04

If variances on C-01 and C-04 are significant, obtain the sheriff's settlement worksheet to review for reasonableness. You may be able to spot the reason for the variance easily.

TESTING OF MATERIAL ACCOUNTS/NOTED RISK ACCOUNTS: (ALL REQUIRED PROCEDURES)

1. Compare amounts per the "Sheriff's Official Receipt" to Official Receipt/Property Tax Charges on the sheriff's settlement.
2. Testing of Discounts, Penalties, and Franchises-(C,D)
Perform the following steps on the Recap Monthly Tax Reports to taxing districts.
 - a. Compare checks to amounts listed on the recap of monthly tax reports.
Note and attempt to resolve any discrepancies.
 - b. Determine if discounts are reasonable by recomputing discounts and agreeing discount to the sheriff's settlement at **C-01**.
 - c. Determine if penalties are reasonable by recomputing penalties and agreeing discount to the sheriff's settlement at **C-01**.
 - d. Agree total franchise tax collections to amounts listed on sheriff's settlement at **C-01**.
 - e. **If this is an outgoing sheriff, add amounts transferred to the incoming sheriff here and reference.**
 - f. **Reconcile net tax collected and taxes paid per sheriff's settlement to the proof of cash. (D,E,F)**
3. **Franchise Taxes:**
 - a. **Auditor will account for all franchise tax bill certifications provided by the Department of Revenue**
This step can be performed directly on the franchise tax certifications provided by DOR or auditors may copy the certifications directly onto **C-22b** and account for them all there. Auditor should denote which franchise certifications/bills were selected for testing.

C-20a
C-05b

C-08

C-08

C-08

C-08

B-00

C-22

Note: Auditor should account for all certifications issued in tax year. Auditor should review prior certifications to determine if any should be included in the current year tax settlement. After all certifications are accounted for either as current tax year, unbilled, or delinquent. Tax certifications accounted for and charged in prior years do not need to be included in the current year documentation.

Additional Guidance:

* The current franchise taxes included on the settlement should include only those assessments prepared between the prior "as of" date and the current "as of" date. Any tax amount under \$10 can be ignored, as the County Clerk is not required to prepare a tax bill for those. However, some County Clerks may prepare these bills and they would be included in your reconciliation. The Sheriff should

have a schedule of franchise tax collections that is used to report the amounts on the monthly tax reports. The Sheriff should also have copies of all paid and unpaid franchise tax bills that have been received.

* The Sheriff will collect prior year franchise taxes during the audit period and these should be included on the settlement if these were collected during the year

* If this is an outgoing/incoming settlement, make sure all franchise tax bills are addressed. They should be shown as transferred out on the outgoing settlement and shown as transferred in on the incoming sheriff's settlement.

--	--	--

<p>* The Sheriff may have turned over delinquent franchise tax bills to the County Clerk’s office. If so, you will need to account for these bills. If delinquent franchise bills are risky, be to make sure the County Clerk’s office actually received them.</p>	
<p>b. If no elevated risks are noted auditor will judgmentally select items from the franchise tax bill population and agree tax rates on franchise tax bills to the tax rates approved by the taxing districts (Recapped at C-21a) and recompute the selected franchise tax bills and trace to corresponding monthly reports. (A minimum of 5 bills, or a maximum of 25 bills should be tested.) Number tested should agree to A-22.</p>	<p>C-22a</p>
<p>OR</p> <p>c. If significant or elevated risks, internal control significant deficiencies or material weaknesses exist over franchise tax bills, then recompute all franchise tax bills, by using tax rates approved by the taxing districts (Recapped at C-21a). <i>NOTE: Be sure to use the appropriate multiplier, which applies to both Real and Tangible Property for intrastate railroads, designated (RRI) on the certification and to tangible only for airlines (A, AF, AK) and interstate railroads (RR). (KRS 136.180(2) and Revenue Form 61A255)</i></p>	<p>C-22b</p>
<p>4. <u>Unbilled Franchise Taxes</u></p> <p>a. <i>The sheriff's settlement will not be adjusted for unbilled franchises unless the sheriff is found holding franchises and not sending out bills immediately after receiving from the county clerk and the bills held are significant to the sheriff's tax settlement (Above trivial per A-16).</i> <i>If there are significant franchise taxes unbilled by the county clerk, please notify audit manager immediately for further guidance. Document any additional audit steps performed.</i></p> <p>Follow up on unpaid bills or unbilled franchise tax certifications. The unpaid bills may have been paid subsequent to the tax sale. If a certification listed on the DOR listing has not been billed, you will then need to follow up with the County Clerk’s office. Did the County Clerk’s office receive the certification? Has a bill been recently prepared?</p>	<p>C-33</p>
<p>5. <u>Delinquent Franchise Bills</u></p> <p>a. After accounting for all franchise certifications, if a significant amount of certifications are found to be delinquent, the Auditor should inquire if the franchise taxes that are delinquent have been turned over to the county clerk. If the delinquent franchise taxes were turned over to the county clerk, the clerk should have accepted the sheriff's numbers and no further testing is deemed necessary.</p> <p>If significant risks are noted, include delinquent franchise taxes on "Test of Delinquents". If necessary, recap delinquent franchise tax bills.</p> <p>Additional Guidance:</p> <p>* The difference between a “delinquent” franchise tax and an “uncollected” franchise tax depends on whether the 30-day rule, to consider it delinquent, has lapsed for purposes of advertising the tax bill and subsequently turning it over to the County Clerk. APA Policy 20 - Franchise Tax Policy specifically states if the taxpayer has not had at least 30 days to pay the franchise tax bill between the date the tax bill was sent and the date of the first advertisement, the Sheriff should keep the franchise tax bill and include it in the next year’s settlement. The Sheriff will calculate penalties and interest on the tax bill as usual. The Sheriff may actually hold a franchise tax bill for several months before turning it over to the Clerk as delinquent.</p> <p>NOTE: The Sheriff should assess penalties and interest on franchise tax collections when applicable. If the Sheriff collected franchise taxes and did not assess penalty and interest when applicable we will include the applicable penalty and interest on the settlement and include an audit report comment.</p> <p>The Sheriff is required to submit franchise tax collections each month to the taxing districts. This could cause a cut-off problem if you use the Sheriff’s Sale or the as of date in reporting franchise collections. Auditors should use the cut-off of April 30th, to report the franchise taxes, so that the revenues and distributions will match the checks that were written.</p> <p><i>* If problems are noted with franchise tax bills (i.e. franchise tax bills are not being prepared or bills are being prepared incorrectly) contact your audit manager so that this may be addressed in the county clerk's audit. For those bills that have been prepared incorrectly, maintain a list to be given to the county clerk at the completion of the audit. Future action may need to be taken by the county clerk to address these problems.</i></p>	<p>C-34</p>
<p>6. <u>Delinquent Taxes:</u> <i>Delinquent taxes are usually the largest credit on the sheriff's tax settlement, auditor will perform the following:</i></p>	

- a. Recompute real property delinquent taxes on **C-32a** and compare to amounts on sheriff's settlement.
 - b. Judgmentally select bills from the delinquent tax bill population and trace delinquent bills per the sheriff's delinquent tax list to the delinquent tax bills maintained by the county clerk.
(A minimum of 5 bills, or a maximum of 25 bills should be tested.) **Number tested should agree to A-22.**
OR
 - c. If significant or elevated risks, internal control significant deficiencies or material weaknesses exist over delinquent tax bills, auditor should contact audit manager to determine if the test size should be increased.
7. **Prepare all exit and/or report comments applicable to this section. Document this on RCW/RNI form.**

C-32a

C-32

C-32

C-50 Series

ADDITIONAL PROCEDURES- HIGH RISK ACCOUNTS

These procedures are only to be performed if: Account balances are material and not tested elsewhere OR significant risk were noted. (Discuss with audit manager before expanding to high risk testing)

OTHER REVENUES AND CHARGES

- 1. Compute property taxes using assessments from the "Certification of Equalized Assessment" and tax rates approved by the State, Fiscal Court, and School Board(s). (C,/D)
- 2. Determine the adjustment to the official receipt by comparing total computed property tax with the Sheriff's official receipt for property tax bills. (obtain copy including page 2 with Sheriff's signature and date tax bills are signed for) Determine that the adjustment is reasonable. If the adjustment for all districts combined is greater than tolerable misstatement calculated on w/p **A-16**, then obtain either amended Certification of Equalized Assessment or PVA's updated tax roll and attempt to explain the variance. If variance can be explained, use amended certification or PVA tax roll. If variance cannot be explained or if the official receipt is incorrect, contact AIC or Audit Manager. (C,/D,/J)
- 3. Obtain bank franchise listing and determine the amount collected. Verify this is included on the Sheriff's settlement (under County - to be turned over to the Fiscal Court). If bank franchises are not included on the Sheriff's settlement, verify that Fiscal Court is receiving the payments directly from the bank. Recompute if deemed high risk.
- 4. Obtain current and prior year(s) Distilled Spirits Certifications from the County Clerk. It may only be necessary to use listing provided to APA by the Department of Revenue - depending upon the difficulty of reconciling computed amounts to amounts shown on Sheriff's Settlement(s). Ensure that all certifications are accounted for. (C,/D)
 - a. Calculate current year Distilled Spirits taxes using these assessments and the appropriate current year tax rates.
 - b. Calculate prior year(s) Distilled Spirits taxes using these assessments and the appropriate tax rates for each of the applicable prior tax years.
- 5. Obtain the Sheriff's List of Court Orders Correcting Erroneous Assessments. Compute total assessment increases. Note: Include in audit documentation a copy of page with total assessment of Sheriff's List of Court Orders Correcting Erroneous Assessments. (C,/D) Recompute if risks noted.
- 6. **Other Charges:** Detail other charges; consider additional audit testing if these amounts do not appear reasonable in relation to prior years. (C,D)
Recompute other taxes as necessary:
Additional Bills, Omitted taxes.....

C-21b

C-05b

**C-27
C-27a**

**C-23
C-23a**

**C-06
C-25**

**C-24
C-26**

7. In Lieu of Taxes

NOTE: In Lieu of Taxes, in most cases, should NOT be included as a charge or credit in a Sheriff's Tax Settlement. If the Sheriff collects "In Lieu of Taxes" and "retains commissions - include "In Lieu of Taxes" on the sheriff's settlement.
The "In Lieu of Taxes" agreements can be written in a manner that allows the Sheriff to collect these payments and retain commissions. In these instances, the Sheriff handles these payments like all other taxes.

EXPENDITURES AND CREDITS

1. Obtain the Sheriff's List of Court Orders Correcting Erroneous Assessments. ("Exonerations") Compute total assessment decreases. Note: Include in audit documentation a copy of the page with total assessments (at a minimum) of Sheriff's List of Court Orders Correcting Erroneous Assessments. (C,/D)
2. Compute Other Delinquent Taxes: Tangible Personal Property, and any other delinquents on the list. Note: Include in audit documentation a copy of the page with total assessments (at a minimum)of Sheriff's List of Delinquents. (C,/D)
3. Examine Risk Assessment Summary to determine if further testing is needed. *(If no significant risks were identified and the material accounts analytical review was within acceptable range, additional testing is not required unless deemed necessary by the auditor.)*
4. **Other Credits:** Detail other credits; consider additional audit testing if these amounts do not appear reasonable in relation to prior years. (C,D)
If this is an outgoing sheriff, add amounts transferred to the incoming sheriff here and reference.

Refunds:

If total "Current and Prior Refunds" on the Draft Settlement is material - **OR** if the "Unexplained Overage" on the "Proof of Cash" appears unreasonable - **OR** if there is an "Unexplained Shortage" on the "Proof of Cash" (deficit), perform the following: **(If unsure, contact Audit Manager).**
These should agree reasonably to refunds on the recap of cancelled checks.

Prepare a schedule of refunds made to taxpayers during the tax collection period. This schedule should be broken down by taxing district into the categories listed below for use in the reconciliation of bank receipts per the Proof of Cash to "Taxes Due Districts" (Total Collections) per the Draft Settlement.

- a. Prior Year Refunds
- b. Current Year Refunds Resulting From Exonerations
- c. Current Year Refunds Resulting From Overpayments/Duplicate Payments

Note that a.) and b.) will be combined and appear on the Settlement as "Current and Prior Year Refunds." Ensure that the Sheriff is not taking credit for an exoneration and a refund for the same taxpayer/tax bill, i.e. the same taxpayer/tax bill cannot appear on the list of refunds as well as the list of exonerations. Obtain documentation maintained by the Sheriff supporting refunds made to taxpayers. This may be done on a sample basis, depending on materiality and/or other factors considered by the auditor.

You can obtain a copy of the refunds prepared by DOR. DOR recaps refunds while preparing the state settlement. This may be able to be used instead of recapping.

5. **Prepare all exit and/or report comments applicable to this section. Document this on RCW/RNI form.**

After testing is performed, if adjustments are needed, book adjustments on C-02. You will need to make the following adjustments: Breakout of LSG, Gas, Oil, Clay, or other taxes that have a separate official receipt. You also should make adjustments found when footing the sheriff's settlement. You should make adjustments to correct commissions paid so that the footnotes agree to the financial statement. Adjustments will be made so that outgoing amounts transferred to incoming sheriff agree to both the OSTs and ISTS financial statements.
New Guidance: If the sheriff has included clay, lsg, etc. in with the other taxes, it is fine to not break those out and make an adjustment. However, if you do not break them out separately on the financial statement, please state in the note disclosure for that tax type that the amount is included in with the account it's included within.

		Add Reference If Needed
		C-06 C-31a
		C-32a C-32b
		A-18b
		Add Reference If Needed
		C-36 C-36a
		C-50 Series
		C-02 C-03

**It just looks weird to have a note disclosure for lsg, for example, and then lsg not be listed on the financial statement.
Payments made after tax year end (not April collection though) will be shown below taxes paid
See Guidance on C-03**

CONCLUSION

We have performed procedures sufficient to achieve audit goals and objectives of this office. These procedures are adequately presented in the accompanying audit documentation.

COMPLIANCE

Audit Objective: To test for compliance with applicable statutes, laws, and regulations.

1. Compute Sheriff's commission on taxes. (C,/D)
Reconcile tax commissions per audit with commissions paid to the fee account.
Consider school tax commissions that are deposited directly into the Sheriff's fee account. Explain any material differences. (F)
Agree total tax and commission payments with proof of cash.
Contact AIC or Manager if there is a significant, unexplained difference. (D,E,F)
2. Determine if the amount of interest paid the school board is reasonable and on a monthly basis. Commissions on School interest should be paid to all school districts (including graded schools), and then refunded to the Sheriff in the same way as other commissions. (Compliance Testing)
3. Test the Sheriff's 10% add-on fees for reasonableness
 - a. Calculate 10% add-on fees by adding gross collections and 10% penalty (on taxes) together and multiplying this amount by 10%. (This same result can be obtained by multiplying gross collections by 11%). Compare this computed amount to the amount recorded by Sheriff and paid to the fee account.
Investigate significant differences. (Compliance Testing)
4. Prepare a determination of fund balance. (G)
If the deficit is \$1200 or more, a Schedule of Excess of Liabilities Over Assets will be included in the audit report. Each year will stand alone; we will not combine multiple years on one schedule. See Policy # 42 Deficit Statement Policy for additional details.
NOTE: The determination of fund balance should be presented to the Sheriff at the exit conference. The auditor should explain what the Sheriff is expected to do based upon the determination (what he/she is expected to collect or disburse). The auditor should also explain that next year's auditor will be following-up on the determination to ensure all amounts owed and due have been properly handled.
Deficit. Ascertain whether any deficit reported in the current audit has been paid in whole or in part. The auditor must verify by reference to bank records that deficits have been reduced and from appropriate sources.
5. Randomly select daily collection reports or daily checkout sheets for one week.
Include a copy of the of the selected reports or check out sheets in the audit.
Determine the Sheriff maintained his copies of the tax bills or daily listing of tax bills collected for the test period. (**NOTE: Actual hard copies of the tax bills are not required if the daily collection report is maintained with the daily deposit work and tax software allows Sheriff to print corresponding tax bills if needed**)
Trace daily collection reports to deposit tickets. Determine that deposits are made intact by verifying cash and checks per daily checkout agree to cash and checks as listed on the deposit ticket. Determine if cash refunds were issued when a check was used for payment. This could cause the deposit to not be intact. Determine that receipts for test period were deposited in a timely manner. (Compliance Testing)
6. Complete **compliance checklist**.
7. Examine and verify **Sheriff's county revenue bond for the audit period**. Determine if bond coverage appears reasonable. If bond is insufficient, notify County Judge.
8. Obtain a copy of the Sheriff's Quietus for the tax year being audited.
(If available)
9. **Prepare all exit and/or report comments applicable to this section. Document at this on RCW/RNI form.**

	M-02 B-00 B-08 C-08
	M-03
	M-04
	M-05
	M-05
	M-06 M-06a M-07
	M-01
	M-08
	M-09
	M-50 Series

FRAUD AND ABUSE

If fraud and abuse are discovered during audit performance, prompt notice shall be given to the Audit Manager and Director of the Financial Audit Division. As always, this information is confidential and is not for disclosure to anyone except the above. State below on whether any material errors, illegal acts, or fraud have come to your attention and their disposition, if possible.

CONSULTATION

Was there appropriate consultation and documentation of situations not specified by APA policy or unusual matters?

If the auditor judged it necessary to depart from a relevant presumptively mandatory requirement, did the auditor document the justification for the departure and how the alternative audit procedures performed in the circumstances were sufficient to achieve the intent of that requirement? These should be discussed with and approved by your AM or the ASA as necessary.

Yes
No
N/A

COMPLETION

1. **Subsequent Events.** Determine if any subsequent events have occurred since the financial statement presentation date through the end of the fieldwork that would have a material effect on the financial statements.

Z-01

2. **Follow up on any prior year findings** that have not been resolved. Discuss with the Sheriff and document any explanations. If applicable, record a timetable for correcting the findings.

A-02

3. **Re-evaluate threat to independence.**

Auditors should re-evaluate threats to independence, including any safeguards applied, whenever the audit organization or the auditors become aware of new information or changes in facts and circumstances that could affect whether a threat has been eliminated or reduced to an acceptable level.

A-27

4. Complete the **Going Concern Audit Program:**

If there is a going concern issue the management representation letter must be modified and an emphasis of matter paragraph must be added to the Independent Auditor's Report (AU-C 570)

Z-03

If, after considering identified conditions or events and management's plans, the auditor concludes that substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time remains, a separate section should be added in the auditor's report with the heading "Substantial Doubt About the Entity's Ability to Continue as a Going Concern" that:

- a. Draws attention to the note in the financial statements that discloses: 1) the conditions or events identified and management's plans that deal with these conditions or events, and 2) that these conditions or events indicate that substantial doubt exists about the entity's ability to continue as a going concern for a reasonable period of time; and
- b. States that the auditor's opinion is not modified with respect to the matter.

5. **Perform Final Analytical Procedures**

- a. Compare draft f/s with previous audit for significant differences. Document and explain why any significant differences exist, if any. The overall review would generally include reading the financial statements and notes and considering (a) the adequacy of evidence gathered in response to unusual or unexpected balances identified in planning the audit or in the course of the audit and (b) unusual or unexpected balances or relationships that were not previously identified. Results of an overall review may indicate additional evidence may be needed. (G)

Z-04

- b. **If there are significant differences in the state settlement and amounts per final audited settlement complete Z-04a.**

Z-04a

6. **Audit Opinion Memorandum**

Include a memorandum explaining and justifying the audit opinion of the report. This memo should at least include:

- a) An explanation of the scope of the audit.
- b) The audit was conducted in accordance with Governmental Auditing Standards
- c) Disclose the type of opinion being issued and explain why.
- d) Document any differences of opinion between staff as it relates to the audit opinion of the report
- e) Consider whether audit procedures performed to achieve other audit objectives or other general procedures have identified conditions and events that, when considered in the aggregate, indicate there could be substantial doubt about the governmental unit's ability to continue as a going concern for a reasonable period

Z-05

of time, not to exceed one year beyond the date of the financial statement being audited. If there is a going concern issue the management representation letter must be amended and an emphasis of matter paragraph must be added to the Independent Auditor's Report. AU-C 570

1. Analytical Procedures
2. Review of Subsequent Events
3. Review of fiscal court orders
4. Legal representation letter
5. Auditor's Judgment

Contact your audit manager, quality assurance, and the ASA for any opinion modifications in order to determine that all reporting and documentation requirements have been met. Complete workpaper **Z-05b**.

This workpaper can also be used to document Emphasis of Matter Paragraphs and Other Matter Paragraphs

7. Complete the **Qualifications Checklist**.
If you have findings concerning the qualifications of personnel, make sure to thoroughly document the reasons for the finding, and contact your audit manager.

	Z-05b
	Z-06

<p>8. Summary of Financial Statement Misstatements Summarize and evaluate misstatements noted during the audit. Post audit adjustments to Z-07. Explain adjustments to Sheriff. The sheriff should sign this form if he/she accepts the adjustments. Otherwise, adjustments cannot be made.</p> <p>Obtain a signed copy of the audit adjustments and scan into the binder.</p> <p>If material audit adjustments are required, please include a comment in the exit conference and/or the report.</p> <p>Document the nature and effect of aggregated misstatements, and conclude as to whether the aggregated misstatements cause the financial statements to be materially misstated.</p> <p>Were misstatements indicative of Fraud <u>Yes or No</u> Were misstatements indicative of Collusion? <u>Yes or No</u></p> <p>If the answer to either question is yes, re-evaluate risks at A-23. Determine if procedures were adequate to respond to additional risks and evaluate reliability of previous evidence examined or tested.</p>		<p>Z-07</p>
<p>8a. Update your Consideration of Independence Issues form at A-27. Remember to add and evaluate the threat of proposing adjustments, if applicable. You may not know during the planning so be sure to go back and update, especially if adjustments are proposed during the audit. Also consider whether additional nonaudit services were performed after A-27 was completed. Update A-27 as needed to address all independence issues.</p> <p>Auditor should also review Nonaudit Services Planning Document and update for any additional nonaudit service (ex. Schedule of Liabilities over Assets). Provide management with an updated completed copy of the document.</p>		<p>A-27</p>
<p>9. Materiality Considerations Based on the audit results and any audit adjustments determine if materiality calculated during planning needs to be adjusted in order to determine whether uncorrected misstatements are material to the financial statements as a whole.</p> <p>Based on auditor's judgment does materiality need to be recalculated. Yes or No?</p> <p>If yes, recalculate and then reevaluate the appropriateness of the nature, timing and extent of further audit procedures.</p> <p>As the audit progresses, the auditor should consider whether materiality used for planning purposes needs to be reassessed because of significant changes in the quantitative or qualitative factors originally considered in the determination of materiality. Complete Z-08 to document this consideration.</p> <p>Note: If materiality recalculation finds a materiality level lower than the planning materiality level, review the F/S for any missed material accounts and perform necessary work to ensure all material accounts were tested appropriately.</p>		<p>Z-08</p>
<p>10. Official Rep Letter. Obtain from the Sheriff a letter of representation dated as of the completion of fieldwork (<i>same as report date</i>). This should be signed by the elected official or verbal representations confirmed by a third party's signature. Attach a copy of summary of financial statement misstatement. Please read any guidance on required representations and add any additional representations necessary for the audit.</p> <p>Scan signed representation letter and include original in YPF.</p> <p><i>NOTE: AU-C 700 includes the following language: "The auditor's report should not be dated earlier than the date the auditor has obtained sufficient appropriate audit evidence to support the opinion. Among, other things, sufficient appropriate audit evidence includes evidence that the audit documentation has been reviewed and that the entity's financial statements, including disclosures, have been prepared and that management has asserted that it has taken responsibility for them."</i></p> <p><i>APA Policy-- as stated earlier the Level I Review should be conducted prior to the exit. APA fieldwork date has primarily been the day of the exit conference (field auditor's last day on audit site). Our report date should coincide with the last day on site and the day the official signs the representation letter at the conclusion of the audit. If there are questions regarding your report date, contact your manager for guidance.</i></p>		<p>Z-09</p>
<p>10. Legal Representation Letter(s): Letter(s) should have been sent during the planning stage of the audit.</p>		<p>Z-10 Series</p>

The legal rep letter must be obtained prior to exiting with the sheriff.
 Scan in copy of the legal representation letter. Update letter if it has been more than 30 days since the county attorney or other attorney signed the letter. Auditor should conclude if there is any litigation involving the sheriff that requires disclosure.

Per GAO 6.12 Auditors should evaluate the effect of initiated or in process investigations or legal proceedings on the current audit.

11. Complete the **Examples of Internal Control Deficiencies** to determine whether any issues were identified during the audit.

Z-14

11a. If there are audit findings related to internal control or non-compliance issues, use the **Evaluating and Communicating Internal Deficiencies and Non Compliance Checklist** to document your evaluation of the severity of the deficiency/non-compliance.

Z-20

Note: Document justification for finding- See new column on worksheet.

12. Report. Prepare Draft Report and reference all comments, notes, Internal Control and Compliance letters to supporting documentation.
Open f/s 1st. This applies to all audit reports.
 a) Include necessary Financial Statement Note Disclosures.
 b) Choose appropriate Internal Control and Compliance letter, based upon audit report comments.
 c) Include former in the appropriate places and address letters to both former Sheriff and current Sheriff **if this is an audit of the formal official.**

Z-12

	Z-14
	Z-20
	Z-12

AU-C 700 includes the following language: "The auditor's report should not be dated earlier than the date the auditor has obtained sufficient appropriate audit evidence to support the opinion. Among other things, sufficient appropriate audit evidence includes evidence that the audit documentation has been reviewed and that the entity's financial statements, including disclosures, have been prepared and that management has asserted that it has taken responsibility for them."

***APA policy is to conduct a Level 1 Review prior to the exit conference - APA fieldwork date has primarily been the date of the exit conference (field auditor's last day on audit site). Our report date should coincide with the last day on site **and the day the official signs the representation letter** at the conclusion of the audit. If there are questions regarding your report date, contact your audit manager for guidance.*

13. Exit Conference:

- a) Compile all Finding Forms from various audit sections into an "Exit Conference Document." Ensure all findings include all six elements required by Government Auditing Standards.
- b) For noncompliance items, include a copy of the KRS, KAR, federal law, local ordinance, etc. in the M "Compliance" folder in the binder and cross-reference to the Finding Form.
- c) Schedule exit conference meeting after the Level I reviewer has signed off on the binder, and if applicable, cleared review comments. *Level I reviewer should notify the field auditor when the audit is returned, if review comments need to be cleared before the exit conference.*
- d) Provide official with a copy of the draft financial statements and notes. By signing the exit conference document, the official is acknowledging the financial statement presentation and note disclosures so there is no need to get signatures on the other attachments. Be sure all pages of the financial statement and notes are marked "DRAFT".
- e) Have all attendees sign the signature page of your copy of the exit conference document. Make sure the official has a copy of the signed page as well. Remind them that the corrective action plans will be printed verbatim in the audit report. Make sure the exit conference document has specific date for corrective action plans to be returned. Explain if they fail to return them timely, the audit report will read "The official did not provide a response."
- f) Give the official Corrective Action Plan Guidance <Z-13a> with the template for which they may use to record their responses. This form can be emailed to the official if he/she wants to type the corrective action plans. You do not need to prepare a CAF for each finding.
(Make sure the Official signs this form indicating this will be his/her response. Bookkeeper's signature alone is not sufficient)
- g) Scan in signed exit, draft financial statements, draft note disclosures, and completed corrective action plan forms.

14. Meet to discuss any significant items with County Judge/Executive, if necessary. Consult with Audit Manager first.

15. Resource Materials and Other Information

Review audit documentation and delete all resource materials and other information such as manuals, copies of statutes except for noncompliances, and copies of APA polices. Deleting unnecessary information will keep finalized binders smaller and save storage space

16. Field Auditor Level 1 Review

Field auditor should review audit documentation and audit report to ensure they are in accordance with APA standards. **Complete a Level 1 Review Checklist as a self-review before submitting to the AIC.**

	<p>Z-13 Z-13a Z-13b</p>
	<p>Z-13c</p>
	<p>Z-15</p>

NOTE: A significant portion of level I reviews including the AIC's level I review must be completed before the exit conference can be conducted. If there are major significant audit comments in the report a review in Frankfort might need to be completed before the exit conference can be conducted. Contact your AIC/Audit Manager.

17. Auditor In Charge (AIC) Level I Review

Auditor in charge should review audit documentation and audit report to ensure they are in accordance with APA standards. Complete the initial Level I review checklist.

If there are major problems that need to be addressed based upon this review, AIC should return to field auditor for additional work or changes. After changes are made or additional work completed by field auditor, AIC should clear review comments. File AIC Level I review in processing folder.

After completion of Level I review, please complete the following questions regarding your review and email to your Audit Manager. Do not include the email in the binder. The feedback should include both areas of concern and positive feedback. When emailing to audit manager, please include which audit and auditor the review is pertaining to. This feedback is very important for Audit Managers.

- 1) Was the work on budget given the circumstances? (Any budget overages were due to difficulties on the audit, not auditor inefficiencies. If budget overages were due to reasonable training hours, please note)
- 2) Was the auditor's behavior professional during the audit? (Auditor was courteous and respectful to county staff, coworkers, and supervisors. Auditor communicated issues to supervisors if there were any. Note any examples of actions the auditor took that were either very helpful, or reflected a concern that needs to be addressed)
- 3) Did the auditor follow APA audit and personnel policies while conducting the audit? (Audit work is consistent with APA practices. Auditor arrived to work on time, stayed the full day, and adhered to regular break and lunch periods unless he/she appropriately notified the supervisor).
- 4) Did the review notes of the auditor's work reflect that he/she is working at the appropriate level considering the auditor's job classification, difficulty of the audit, etc.? (If the review notes were better or worse than expected for the auditor's level, please explain.)
- 5) Did the auditor address review notes thoroughly, completely, and in a timely manner?
- 6) Does auditor need specialized training in any area of audit work? (Proof of cash, risk assessment, workpaper set up, etc.)

18. Recommendations to Future Auditor

File all recommendations from each audit section for the next year's auditor. Also file additional recommendations for overall planning and completion as well as significant decisions reached during the audit.

19. Feedback

Assess the adequacy of the audit procedures and audit programs - Notify Lleslie Wilson if you note any issues or concerns with audit programs or procedures. Please send an email as soon as you notice an issue.

20. Documentation of Differences of Opinion

Determine if there were any differences of professional opinion among members of the engagement team or between the engagement team and a specialist. If so, determine that the differences were properly resolved and documented in the workpapers and that the documentation addresses the considerations involved in the resolution. Consultations with audit manager, division director, or ASA and resolutions should be documented in the workpapers.

21. Work statement, Time Budget, Time Run

Complete the work statement and time budget. Contact APA and request a Time Run for the Sheriff you are auditing. This should be the time code you charge the audit work to on your timesheets. Reconcile the Time Run to the work statement. Any errors should be corrected. If there are errors on timesheets, contact APA payroll officer to change any timesheets. File the Time Run and any reconciliations in the audit documentation. DO NOT include copies of timesheets or travel vouchers.

NOTE: This Time Run will only include the most recent posting of timesheets, therefore the total on work statements vs. Time Run will most likely not match. Final reconciliation will be completed in Frankfort, however field auditor should ensure work statement is correct.

Explain why audit cost increased from the prior year and attach to the time budget. These

Z-15a

Z-18

Z-17 Series

explanations will be submitted to the fiscal court and written in the audit bill from Frankfort for all audit cost increases of 10% or more.

22. Completion Checklist - Field Auditor

After exit conference, complete Completion Checklist to determine all steps are completed.

23. Audit Distribution Memo

Complete the Audit Distribution Memo. If the official does not want the audit report e-mailed, include a note on the form. Leave a copy with the official.

Reminder:

It is very important that you make sure that you get a good email address for the official. We need to make sure this memo is up to date each year. The email address is used to send audit engagement letters as well as the audit report.

27b. Audit Completion Form

Complete the Audit Completion Form and email it to Lorrie Hawkins

Verify email from exit conference!

27c. Upload Audit to Central File Room

Through VPN-synchronize the audit binder and check in all workpapers to central file room.

CONCLUSION

We have performed procedures sufficient to achieve the general program audit objectives, and the results of these procedures are adequately documented in the accompanying work papers. (If you are unable to conclude on any objective, prepare a memo documenting your reason).

SOI: Referenced Audit Documentation and Auditors

	Z-15b
	Z-19
	Z-30
Sign Off Required	