

**REPORT OF THE AUDIT OF THE
GRAVES COUNTY
SHERIFF'S SETTLEMENT - 2015 TAXES**

**For The Period
April 16, 2015 Through April 15, 2016**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE 502.564.5841
FACSIMILE 502.564.2912**

EXECUTIVE SUMMARY

AUDIT OF THE GRAVES COUNTY SHERIFF'S SETTLEMENT - 2015 TAXES

**For The Period
April 16, 2015 Through April 15, 2016**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2015 Taxes for the Graves County Sheriff for the period April 16, 2015 through April 15, 2016. We have issued an unmodified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The sheriff collected 2015 taxes of \$12,265,007 for the districts, retaining commissions of \$443,940 to operate the sheriff's office. The sheriff distributed 2015 taxes of \$11,769,778 to the districts. Taxes of \$11,462 are due to the districts from the sheriff and refunds of \$27 are due to the sheriff from the taxing districts.

Report Comments:

- 2015-001 The Graves County Sheriff's Franchise Tax Settlement Was Materially Misstated
- 2015-002 The Graves County Sheriff's Office Lacks Adequate Segregation Of Duties
- 2015-003 The Graves County Sheriff Has A \$694 Deficit In His 2015 Tax Account
- 2015-004 The Graves County Sheriff Did Not Perform Daily Checkout Procedures Or Make Daily Deposits
- 2015-005 The Graves County Sheriff Failed To Settle Franchise Taxes Associated With Prior Years
- 2015-006 The Graves County Sheriff Failed To Pay School Commissions For Additional Bills And Limestone, Sand, And Gravel Bills

Deposits:

The sheriff's deposits were insured and collateralized by bank securities or bonds.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT1
SHERIFF'S SETTLEMENT - 2015 TAXES4
NOTES TO FINANCIAL STATEMENT6
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*.....11
COMMENTS AND RECOMMENDATIONS15



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
Honorable Jesse Perry, Graves County Judge/Executive
Honorable Dewayne Redmon, Graves County Sheriff
Members of the Graves County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the Graves County Sheriff's Settlement - 2015 Taxes for the period April 16, 2015 through April 15, 2016 - Regulatory Basis, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817

TELEPHONE 502.564.5841
FACSIMILE 502.564.2912
WWW.AUDITOR.KY.GOV

AN EQUAL OPPORTUNITY EMPLOYER M / F / D



To the People of Kentucky
Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
Honorable Jesse Perry, Graves County Judge/Executive
Honorable Dewayne Redmon, Graves County Sheriff
Members of the Graves County Fiscal Court

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the taxes charged, credited, and paid of the Graves County Sheriff, for the period April 16, 2015 through April 15, 2016.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the taxes charged, credited, and paid for the period April 16, 2015 through April 15, 2016 of the Graves County Sheriff, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2017, on our consideration of the Graves County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Graves County Sheriff's internal control over financial reporting and compliance.

To the People of Kentucky

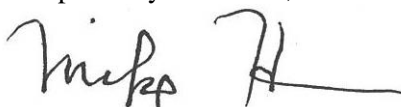
Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
Honorable Jesse Perry, Graves County Judge/Executive
Honorable Dewayne Redmon, Graves County Sheriff
Members of the Graves County Fiscal Court

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

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discuss the following report comments:

- 2015-001 The Graves County Sheriff's Franchise Tax Settlement Was Materially Misstated
- 2015-002 The Graves County Sheriff's Office Lacks Adequate Segregation Of Duties
- 2015-003 The Graves County Sheriff Has A \$694 Deficit In His 2015 Tax Account
- 2015-004 The Graves County Sheriff Did Not Perform Daily Checkout Procedures Or Make Daily Deposits
- 2015-005 The Graves County Sheriff Failed To Settle Franchise Taxes Associated With Prior Years
- 2015-006 The Graves County Sheriff Failed To Pay School Commissions For Additional Bills And Limestone, Sand, And Gravel Bills

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

May 9, 2017

GRAVES COUNTY
DEWAYNE REDMON, SHERIFF
SHERIFF'S SETTLEMENT - 2015 TAXES

For The Period April 16, 2015 Through April 15, 2016

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 1,333,975	\$ 2,170,351	\$ 5,157,983	\$1,713,105
Tangible Personal Property	160,331	242,568	565,580	481,969
Fire Protection	1,121			
Inventory In Transit		1,142		
Franchise Taxes	121,372	192,694	403,876	
Additional Billings	1,554	5,357	5,200	4,343
Clay Property Taxes	86	101	375	111
Limestone, Sand, & Gravel Reserves	161	188	700	207
Bank Franchises	108,350			
Omitted Clay Taxes	2	2	9	3
Omitted Limestone, Sand, & Gravel Reserves	102	119	444	131
Penalties	5,403	9,688	19,435	7,043
Adjusted to Sheriff's Receipt	(440)	(3,966)	7,307	(4,014)
 Gross Chargeable to Sheriff	 <u>1,732,017</u>	 <u>2,618,244</u>	 <u>6,160,909</u>	 <u>2,202,898</u>
 <u>Credits</u>				
Exonerations	5,023	7,928	17,636	6,535
Discounts	26,387	38,275	94,554	33,996
Delinquents:				
Real Estate	25,747	55,457	89,118	33,038
Tangible Personal Property	1,467	2,206	3,689	5,369
Delinquent - Additional Bills	70	403	157	93
Delinquent - Omitted LSG	19	22	81	24
Minimum Bills	336	422	506	503
 Total Credits	 <u>59,049</u>	 <u>104,713</u>	 <u>205,741</u>	 <u>79,558</u>
 Taxes Collected	 1,672,968	 2,513,531	 5,955,168	 2,123,340
Less: Commissions *	<u>71,101</u>	<u>103,942</u>	<u>178,655</u>	<u>90,242</u>
 Taxes Due	 1,601,867	 2,409,589	 5,776,513	 2,033,098
Taxes Paid	1,586,296	2,403,815	5,755,580	2,024,087
Refunds	<u>4,760</u>	<u>5,655</u>	<u>20,401</u>	<u>9,038</u>
 Due Districts or (Refunds Due Sheriff) as of Completion of Audit	 <u>\$ 10,811</u>	 <u>\$ 119</u>	 <u>\$ 532</u>	 <u>\$ (27)</u>

**

* and ** See next page.

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

GRAVES COUNTY
 DEWAYNE REDMON, SHERIFF
 SHERIFF'S SETTLEMENT - 2015 TAXES
 For The Period April 16, 2015 Through April 15, 2016
 (Continued)

* Commissions:

4.25% on	\$ 5,844,286
4% on	\$ 408,243
3% on	\$ 5,955,168
1% on	\$ 57,310

** Special Taxing Districts:

Library District	\$	58
Health District		38
Mental Health - JU Kevil Memorial Foundation		<u>23</u>
Due Districts	\$	<u><u>119</u></u>

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT

April 15, 2016

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

Note 2. Deposits

The Graves County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the sheriff's deposits may not be returned. The Graves County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of April 15, 2016, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

GRAVES COUNTY
 NOTES TO FINANCIAL STATEMENT
 April 15, 2016
 (Continued)

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2015. Property taxes were billed to finance governmental services for the fiscal year ended June 30, 2016. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 30, 2015 through April 15, 2016.

B. Clay Property Taxes

The tangible property tax assessments on clay properties were levied as of January 1, 2015. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 13, 2015 through April 15, 2016.

C. Limestone, Sand, and Gravel Properties

The tangible property tax assessments on limestone, sand, and gravel properties were levied as of January 1, 2015. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 13, 2015 through April 15, 2016.

D. Franchise Taxes

The franchise tax assessments were levied by the Kentucky Department of Revenue for various tax years. Franchise taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was April 16, 2015 through April 15, 2016.

Note 4. Interest Income

The Graves County Sheriff earned \$61 as interest income on 2015 taxes. The sheriff was in substantial compliance with his statutory responsibilities.

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

The Graves County Sheriff collected \$32,321 of 10% add-on fees allowed by KRS 134.119(7). This amount was used to operate the sheriff's office.

Note 6. Unrefundable Duplicate Payments And Unexplained Receipts

The sheriff deposited unrefundable duplicate payments and unexplained receipts in a non-interest-bearing account. The sheriff's escrowed amounts were as follows:

2013	\$13
2014	\$318

KRS 393.090 states that after three years, if the funds have not been claimed, they are presumed abandoned. Abandoned funds are required to be sent to the Kentucky State Treasurer pursuant to KRS 393.110 and its accompanying regulations. The sheriff sent a written report to the Treasury Department and submitted \$856 to the Kentucky State Treasurer in accordance with KRS 393.110.

THIS PAGE LEFT BLANK INTENTIONALLY

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



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jesse Perry, Graves County Judge/Executive
Honorable Dewayne Redmon, Graves County Sheriff
Members of the Graves County Fiscal Court

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Graves County Sheriff's Settlement - 2015 Taxes for the period April 16, 2015 through April 15, 2016 - Regulatory Basis and the related notes to the financial statement and have issued our report thereon dated May 9, 2017. The county sheriff's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as items 2015-001 and 2015-002 to be material weaknesses.



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

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying comments and recommendations as items 2015-003 and 2015-004 to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Graves County Sheriff's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying comments and recommendations as items 2015-001, 2015-004, 2015-005, and 2015-006.

Sheriff's Responses to Findings

The Graves County Sheriff's responses to the findings identified in our audit are described in the accompanying comments and recommendations. The sheriff's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

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

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

May 9, 2017

COMMENTS AND RECOMMENDATIONS

GRAVES COUNTY
DEWAYNE REDMON, SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Period April 16, 2015 Through April 15, 2016

FINANCIAL STATEMENT FINDINGS:

2015-001 The Graves County Sheriff's Franchise Tax Settlement Was Materially Misstated

The sheriff's franchise tax settlement was materially misstated and required audit adjustments to correct. The misstatements are outlined below:

- The settlement improperly included \$381,145 of franchise taxes collected in May 2015, which were included in the prior year tax settlement.
- The settlement did not include \$108,350 of bank franchise tax collections.
- The settlement did not include \$778,303 of taxes paid to the districts.

Strong internal controls over financial reporting are needed in order to ensure accurate reporting of tax collections and distributions. Accurate financial reporting helps ensure the proper amounts of taxes are distributed to the taxing districts. KRS 134.192(5) states, "[t]he settlement shall show the amount of ad valorem tax collected for the county, the school district, and all taxing districts, and an itemized statement of the money disbursed to or on behalf of the county, the school district, and all taxing districts."

A lack of internal controls over the reporting of franchise taxes and a lack of understanding of the reporting requirements of KRS 134.192(5) resulted in the sheriff's franchise tax settlement being materially misstated and out of compliance with KRS 134.192(5).

We recommend the sheriff strengthen internal controls over preparing the franchise tax settlement to ensure that the settlement is accurately stated. We also recommend the sheriff's annual settlement be prepared in accordance with state law.

Sheriff's Response: The sheriff did not provide a response.

2015-002 The Graves County Sheriff's Office Lacks Adequate Segregation Of Duties

The Graves County Sheriff's office lacks adequate segregation of duties. The bookkeeper performs multiple tasks such as the collection of cash from customers, deposit preparation, bookkeeping, bank reconciliations, preparation of monthly reports, the preparation of checks for disbursements, and the preparation of the annual tax settlement.

Segregation of duties over these tasks, or the implementation of compensating controls, is essential for providing protection from asset misappropriation and helping to prevent inaccurate financial reporting. A lack of segregation of duties or strong oversight increases the risk of undetected fraud or errors. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. Rather than segregate the accounting functions of the office, the sheriff has placed reliance on the bookkeeper.

To adequately protect against the misappropriation of assets and undetected misstatements, we recommend the sheriff segregate the duties noted above by assigning different deputies to perform them. In addition to proper segregation of duties, the sheriff or a designee should provide adequate oversight of these accounting functions.

Sheriff's Response: We are a small office, but we will work on getting this taken care of.

GRAVES COUNTY
DEWAYNE REDMON, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Period April 16, 2015 Through April 15, 2016
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-003 The Graves County Sheriff Has A \$694 Deficit In His 2015 Tax Account

The Graves County Sheriff has a deficit of \$694 in his official 2015 tax account. This occurred because of a lack of internal controls in place to ensure all tax monies due the tax account were properly billed, collected, and deposited, and that all payments were properly paid. As a result, the sheriff's tax account did not receive all monies due, which resulted in the sheriff's office not having the funds needed to settle 2015 taxes. As collector of property taxes, the sheriff assumes full responsibility for all tax collections and complete distribution of these collections to the proper taxing authorities. KRS 134.192 requires the sheriff to settle his or her accounts annually with each taxing district for which he or she collects taxes. We recommend the sheriff deposit personal funds of \$694 into his official 2015 tax account and settle his 2015 taxes.

Sheriff's Response: The sheriff paid the deficit owed to the tax account.

2015-004 The Graves County Sheriff Did Not Perform Daily Checkout Procedures Or Make Daily Deposits

The sheriff's tax collections were held from two to four days before checkout procedures were performed or deposits were made.

Strong internal controls dictate that checkout procedures be performed daily. In addition, KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The Department for Local Government's (DLG) *County Budget Preparation And State Local Finance Officer Policy Manual* requires making daily deposits intact into a federally insured banking institution.

Because of a lack of control awareness and understanding of state statutes, daily checkout procedures were not performed, and daily deposits were not made. By not performing daily checkout procedures or making daily deposits, tax receipts were left vulnerable to misappropriation and loss. Additionally, the sheriff is not in compliance with DLG's accounting requirements.

We recommend the sheriff comply with DLG requirements and perform daily checkout procedures and make daily deposits.

Sheriff's Response: In the future will do a daily checkout sheet and daily deposit, no matter the amount of daily business.

2015-005 The Graves County Sheriff Failed To Settle Franchise Taxes Associated With Prior Years

The proper distribution of tax money collected by the sheriff requires the collection of receivables, including overpayments to some taxing districts, and the payment of these funds to the appropriate taxing districts and fee account. However, due to the fact that receivables associated with these taxes approximate payables, the sheriff's office has elected not to settle the taxes for these prior years. For 2012, receivables are \$97 with no liabilities; for 2013, receivables are \$183 and liabilities are \$324; and for 2014, receivables are \$1,083 and liabilities are \$1,043.

GRAVES COUNTY
DEWAYNE REDMON, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Period April 16, 2015 Through April 15, 2016
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-005 The Graves County Sheriff Failed To Settle Franchise Taxes Associated With Prior Years
(Continued)

KRS 134.192 requires the sheriff to settle his or her accounts annually with each taxing district for which he or she collects taxes. Because the sheriff failed to settle franchise tax collections associated with 2012, 2013, and 2014, the sheriff is not in compliance with KRS 134.192. Failure to settle franchise taxes associated with prior years has also resulted in the wrong amounts being distributed to the taxing districts and fee account.

We recommend the sheriff comply with KRS 134.192 and settle franchise taxes associated with prior years by collecting all receivables and paying all liabilities for the 2012, 2013, and 2014 tax years.

Sheriff's Response: Will comply.

2015-006 The Graves County Sheriff Failed To Pay School Commissions For Additional Bills And Limestone,
Sand, And Gravel Bills

The sheriff did not pay tax commissions to the Graves County Board of Education for the additional tax bills and limestone, sand, and gravel (LSG) tax bills for the months of November, December, and April. Due to the amount of the commissions being minimal, the sheriff opted not to pay these commissions to the school.

KRS 160.510 states, in part, “[t]he tax collector shall, on or before the tenth day of each month, pay to the depository of the district board of education the amount of school tax collected up to and including the last day of the preceding month.” By not paying the commission portion of tax collections to the board of education for additional bills and LSG bills, the sheriff was not in compliance with KRS 160.510. Therefore, we recommend that the sheriff pay commissions to the Graves County Board of Education for all taxes collected on behalf of the school district.

Sheriff's Response: Will comply. Oversight of these 3 months.

