

**REPORT OF THE AUDIT OF THE
FORMER LESLIE COUNTY
SHERIFF'S SETTLEMENT - 2018 TAXES**

**For The Period
April 17, 2018 Through December 31, 2018**



**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**

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT 1

SUMMARY OF TAX COLLECTION FOR YEAR TO DATE 3

OUTGOING SHERIFF’S PROPERTY TAX SETTLEMENT 7

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

SCHEDULE OF FINDINGS AND RESPONSES 15

THIS PAGE LEFT BLANK INTENTIONALLY



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable William Lewis, Leslie County Judge/Executive
The Honorable Delano Huff, Former Leslie County Sheriff
The Honorable Billy M. Collett, Leslie County Sheriff
Members of the Leslie County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We were engaged to audit the former Leslie County Sheriff's Settlement - 2018 Taxes for the period April 17, 2018 through December 31, 2018 - Regulatory Basis.

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. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The former Leslie County Sheriff did not maintain adequate accounting records of tax receipts and disbursements to allow us to apply auditing procedures to satisfy ourselves as to the validity of tax account collections and disbursements, which resulted in a high level of audit risk. Due to the apparent lack of internal controls and the above noted issues, we were unable to reduce the audit risk to an acceptable level.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statement.



To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Lewis, Secretary
Finance and Administration Cabinet
The Honorable William Lewis, Leslie County Judge/Executive
The Honorable Delano Huff, Former Leslie County Sheriff
The Honorable Billy M. Collett, Leslie County Sheriff
Members of the Leslie County Fiscal Court

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2020, on our consideration of the former Leslie 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 former Leslie County Sheriff's internal control over financial reporting and compliance.

Based on the results of our audit, we have presented the accompanying Schedule of Findings and Responses, included herein, which discusses the following report comments:

- 2018-001 The Former Leslie County Sheriff's Office Did Not Have Adequate Segregation Of Duties Over Receipts, Disbursements, and Reconciliations
- 2018-002 The Former Leslie County Sheriff Lost All Data Pertaining To 2018 Tax Collections And Did Not Have Back Up Procedures In Place For Tax Collection Data
- 2018-003 The Former Leslie County Sheriff's 2018 Tax Settlement Was Not Accurate And Not Supported By Accounting Records
- 2018-004 The Former Leslie County Sheriff Has Not Properly Settled 2018 Tax Account Receivables And Liabilities
- 2018-005 The Former Leslie County Sheriff Has Not Settled His 2014, 2015, 2016, And 2017 Tax Account Receivables And Liabilities
- 2018-006 The Former Leslie County Sheriff Distributed Taxes Late

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

July 7, 2020

LESLIE COUNTY
 DELANO HUFF, FORMER SHERIFF
 SUMMARY OF TAX COLLECTION FOR YEAR TO DATE

For The Period April 17, 2018 Through December 31, 2018

Tax Year: 2018

LESLIE COUNTY
 SUMMARY OF TAX COLLECTIONS FOR YEAR TO DATE
 FOR ADDITIONAL BILLS
 For Bills Greater Than The Minimum Bill Value

Run Date: 8/19/2019

Last Payment Date: 5/1/2019 12:00:00AM

	Original	Additional	Exonerations	Net Charges	Collections	Delinquent	Difference
* CO_EXTENSION TAXES ***							
EAL_ESTATE	11.17	0.00	0.00	11.17	28.19	0.00	-17.02
ANG .45	61.86	0.00	0.00	61.86	0.00	61.86	0.00
TOTAL CO_EXTENSION	73.03	0.00	0.00	73.03	28.19	61.86	-17.02
* COUNTY TAXES ***							
EAL_ESTATE	19.64	0.00	0.00	19.64	49.56	0.00	-29.92
ANG .45	94.20	0.00	0.00	94.20	0.00	94.20	0.00
TOTAL COUNTY	113.84	0.00	0.00	113.84	49.56	94.20	-29.92
* HEALTH TAXES ***							
EAL_ESTATE	5.25	0.00	0.00	5.25	13.25	0.00	-8.00
ANG .45	29.07	0.00	0.00	29.07	0.00	29.07	0.00
TOTAL HEALTH	34.32	0.00	0.00	34.32	13.25	29.07	-8.00
* LIBRARY TAXES ***							
EAL_ESTATE	18.59	0.00	0.00	18.59	46.91	0.00	-28.32
ANG .45	102.92	0.00	0.00	102.92	0.00	102.92	0.00
TOTAL LIBRARY	121.51	0.00	0.00	121.51	46.91	102.92	-28.32
* SCHOOL TAXES ***							
EAL_ESTATE	69.41	0.00	0.00	69.41	175.17	0.00	-105.76
ANG .45	384.36	0.00	0.00	384.36	0.00	384.36	0.00
TOTAL SCHOOL	453.77	0.00	0.00	453.77	175.17	384.36	-105.76
* SOIL CONSV TAXES ***							
EAL_ESTATE	1.50	0.00	0.00	1.50	4.70	0.00	-3.20
TOTAL SOIL CONSV	1.50	0.00	0.00	1.50	4.70	0.00	-3.20
* STATE TAXES ***							
EAL_ESTATE	12.81	0.00	0.00	12.81	32.33	0.00	-19.52
TOTAL STATE	12.81	0.00	0.00	12.81	32.33	0.00	-19.52

Tax Year: 2018

LESLIE COUNTY
 SUMMARY OF TAX COLLECTIONS FOR YEAR TO DATE
 FOR ADDITIONAL BILLS
 For Bills Greater Than The Minimum Bill Value

Run Date: 8/19/2019

Last Payment Date: 5/1/2019 12:00:00AM

	Original	Additional	Exonerations	Net Charges	Collections	Delinquent	Difference
*** TOTAL DISTRICT ***	810.78	0.00	0.00	810.78	350.11	672.41	-211.74

LESLIE COUNTY
 DELANO HUFF, FORMER SHERIFF
 SUMMARY OF TAX COLLECTIONS FOR YEAR TO DATE
 For The Period April 17, 2018 Through December 31, 2018
 (Continued)

Tax Year: 2018

44

LESLIE COUNTY
 SUMMARY OF TAX COLLECTIONS FOR YEAR TO DATE
 FOR STANDARD BILLS
 For Bills Greater Than The Minimum Bill Value

Run Date: 8/19/2019

Last Payment Date: 5/1/2019 12:00:00AM

	Original	Additional	Exonerations	Net Charges	Collections	Delinquent	Difference
* CO_EXTENSION TAXES ***							
IER INV	2,991.04	0.00	0.00	2,991.04	2,652.26	339.07	-0.29
EAL_ESTATE	216,011.79	0.00	464.68	215,547.11	192,412.00	22,850.33	284.78
ANG .45	21,759.29	0.00	0.00	21,759.29	16,565.47	5,193.82	0.00
TOTAL CO_EXTENSION	240,762.12	0.00	464.68	240,297.44	211,629.73	28,383.22	284.49
* COUNTY TAXES ***							
IER INV	4,554.88	0.00	0.00	4,554.88	4,038.97	516.35	-0.44
EAL_ESTATE	379,722.43	0.00	810.88	378,905.55	338,236.46	40,168.51	500.58
ANG .45	33,135.95	0.00	0.00	33,135.95	25,226.57	7,909.38	0.00
TOTAL COUNTY	417,413.26	0.00	816.88	416,596.38	367,502.00	48,594.24	500.14
* FIRE AC TAXES ***							
IRE AC	5,430.32	0.00	3.07	5,427.25	5,056.16	374.72	-3.63
TOTAL FIRE AC	5,430.32	0.00	3.07	5,427.25	5,056.16	374.72	-3.63
* HEALTH TAXES ***							
IER INV	1,405.84	0.00	0.00	1,405.84	1,246.61	159.37	-0.14
EAL_ESTATE	101,533.21	0.00	218.40	101,314.81	90,440.38	10,740.57	133.86
ANG .45	10,227.24	0.00	0.00	10,227.24	7,786.07	2,441.17	0.00
TOTAL HEALTH	113,166.29	0.00	218.40	112,947.89	99,473.06	13,341.11	133.72
* HYDEN TAXES ***							
EAL_ESTATE	18,482.68	0.00	0.00	18,482.68	17,557.12	925.56	0.00
TOTAL HYDEN	18,482.68	0.00	0.00	18,482.68	17,557.12	925.56	0.00
* LIBRARY TAXES ***							
IER INV	4,976.64	0.00	0.00	4,976.64	4,412.96	564.16	-0.48
EAL_ESTATE	359,416.69	0.00	773.20	358,643.49	320,149.15	38,020.51	473.83
ANG .45	36,204.07	0.00	0.00	36,204.07	27,562.34	8,641.73	0.00
TOTAL LIBRARY	400,597.40	0.00	773.20	399,824.20	352,124.45	47,226.40	473.35

Tax Year: 2018

LESLIE COUNTY
 SUMMARY OF TAX COLLECTIONS FOR YEAR TO DATE
 FOR STANDARD BILLS
 For Bills Greater Than The Minimum Bill Value

Run Date: 8/19/2019

Last Payment Date: 5/1/2019 12:00:00AM

	Original	Additional	Exonerations	Net Charges	Collections	Delinquent	Difference
** SCHOOL TAXES ***							
IER INV	18,585.02	0.00	0.00	18,585.02	16,479.96	2,106.84	-1.78
REAL_ESTATE	1,342,202.70	0.00	2,887.29	1,339,315.41	1,195,563.99	141,981.91	1,769.51
ANG .45	135,202.81	0.00	0.00	135,202.81	102,930.61	32,272.20	0.00
TOTAL SCHOOL	1,495,990.53	0.00	2,887.29	1,493,103.24	1,314,974.56	176,360.95	1,767.73
** SOIL CONSV TAXES ***							
REAL_ESTATE	40,611.26	0.00	87.38	40,523.90	36,174.39	4,295.97	53.54
TOTAL SOIL CONSV	40,611.26	0.00	87.38	40,523.90	36,174.39	4,295.97	53.54
** STATE TAXES ***							
IER INV	1,405.84	0.00	0.00	1,405.84	1,246.61	159.37	-0.14
WFG GIP	33.19	0.00	0.00	33.19	33.19	0.00	0.00
REAL_ESTATE	247,730.20	0.00	532.88	247,197.32	220,665.15	26,205.58	326.59
ANG .15	237.12	0.00	0.00	237.12	237.12	0.00	0.00
ANG .45	92,044.38	0.00	0.00	92,044.38	70,073.88	21,970.50	0.00
JEHIC INV	106.88	0.00	0.00	106.88	85.70	21.18	0.00
TOTAL STATE	341,557.61	0.00	532.88	341,024.73	292,341.65	48,356.63	326.45
** TOTAL DISTRICT ***	3,074,011.47	0.00	5,783.76	3,068,227.71	2,696,833.12	367,858.80	3,535.79

LESLIE COUNTY
 DELANO HUFF, FORMER SHERIFF
 SUMMARY OF TAX COLLECTIONS FOR YEAR TO DATE
 For The Period April 17, 2018 Through December 31, 2018
 (Continued)

Tax Year: 2018

LESLIE COUNTY
 SUMMARY OF TAX COLLECTIONS FOR YEAR TO DATE
 FOR SUPPLEMENTAL BILLS
 For Bills Greater Than The Minimum Bill Value

Run Date: 8/19/2019

Last Payment Date: 5/1/2019 12:00:00AM

	Original	Additional	Exonerations	Net Charges	Collections	Delinquent	Difference
** CO_EXTENSION TAXES ***							
EAL_ESTATE	52.25	0.00	0.00	52.25	40.97	11.28	0.00
OTAL CO_EXTENSION	52.25	0.00	0.00	52.25	40.97	11.28	0.00
* COUNTY TAXES ***							
EAL_COUNTY	91.82	0.00	0.00	91.82	72.00	19.82	0.00
OTAL COUNTY	91.82	0.00	0.00	91.82	72.00	19.82	0.00
* HEALTH TAXES ***							
EAL_HEALTH	24.55	0.00	0.00	24.55	19.25	5.30	0.00
OTAL HEALTH	24.55	0.00	0.00	24.55	10.25	5.30	0.00
* LIBRARY TAXES ***							
EAL_LIBRARY	86.91	0.00	0.00	86.91	68.15	18.76	0.00
OTAL LIBRARY	86.91	0.00	0.00	86.91	68.15	18.76	0.00
* SCHOOL TAXES ***							
EAL_SCHOOL	324.56	0.00	0.00	324.56	254.49	70.07	0.00
OTAL SCHOOL	324.56	0.00	0.00	324.56	254.49	70.07	0.00
* SOIL CONSV TAXES ***							
EAL_SOIL_CONSV	9.82	0.00	0.00	9.82	7.70	2.12	0.00
OTAL SOIL CONSV	9.82	0.00	0.00	9.82	7.70	2.12	0.00
* STATE TAXES ***							
EAL_STATE	59.90	0.00	0.00	59.90	46.97	12.93	0.00
OTAL STATE	59.90	0.00	0.00	59.90	46.97	12.93	0.00
* TOTAL DISTRICT ***	649.81	0.00	0.00	649.81	509.53	140.28	0.00

Tax Year: 2018

LESLIE COUNTY
 SUMMARY OF TAX COLLECTIONS FOR YEAR TO DATE
 FOR GAS BILLS
 For Bills Greater Than The Minimum Bill Value

Run Date: 8/19/2019

Last Payment Date: 7/15/2019 12:00:00AM

	Original	Additional	Exonerations	Net Charges	Collections	Delinquent	Difference
*** CO_EXTENSION TAXES ***							
REAL_ESTATE	13,752.03	0.00	0.00	13,752.03	13,638.48	113.55	0.00
TOTAL CO_EXTENSION	13,752.03	0.00	0.00	13,752.03	13,638.48	113.55	0.00
*** COUNTY TAXES ***							
REAL_COUNTY	24,174.02	0.00	0.00	24,174.02	23,974.42	199.60	0.00
TOTAL COUNTY	24,174.02	0.00	0.00	24,174.02	23,974.42	199.60	0.00
*** HEALTH TAXES ***							
REAL_HEALTH	6,463.75	0.00	0.00	6,463.75	6,410.38	53.37	0.00
TOTAL HEALTH	6,463.75	0.00	0.00	6,463.75	6,410.38	53.37	0.00
*** LIBRARY TAXES ***							
REAL_LIBRARY	22,881.36	0.00	0.00	22,881.36	22,692.46	188.90	0.00
TOTAL LIBRARY	22,881.36	0.00	0.00	22,881.36	22,692.46	188.90	0.00
*** SCHOOL TAXES ***							
REAL_SCHOOL	85,449.39	0.00	0.00	85,449.39	84,743.90	705.49	0.00
TOTAL SCHOOL	85,449.39	0.00	0.00	85,449.39	84,743.90	705.49	0.00
*** SOIL CONSV TAXES ***							
REAL_SOIL_CONSV	2,585.44	0.00	0.00	2,585.44	2,564.09	21.35	0.00
TOTAL SOIL CONSV	2,585.44	0.00	0.00	2,585.44	2,564.09	21.35	0.00
*** STATE TAXES ***							
REAL_STATE	15,771.31	0.00	0.00	15,771.31	15,641.08	130.23	0.00
TOTAL STATE	15,771.31	0.00	0.00	15,771.31	15,641.08	130.23	0.00
** TOTAL DISTRICT ***	171,077.30	0.00	0.00	171,077.30	169,664.81	1,412.49	0.00

LESLIE COUNTY
 DELANO HUFF, FORMER SHERIFF
 SUMMARY OF TAX COLLECTIONS FOR YEAR TO DATE
 For The Period April 17, 2018 Through December 31, 2018
 (Continued)

Tax Year: 2018

LESLIE COUNTY
 SUMMARY OF TAX COLLECTIONS FOR YEAR TO DATE
 FOR OIL BILLS
 For Bills Greater Than The Minimum Bill Value

Run Date: 8/19/2019

Last Payment Date: 7/15/2019 12:00:00AM

	Original	Additional	Exonerations	Net Charges	Collections	Delinquent	Difference
** CO_EXTENSION TAXES ***							
REAL_ESTATE	11,591.11	0.00	70.26	11,520.85	11,443.02	77.83	0.00
OTAL CO_EXTENSION	11,591.11	0.00	70.26	11,520.85	11,443.02	77.83	0.00
** COUNTY TAXES ***							
REAL_ESTATE	20,375.48	0.00	123.51	20,251.97	20,115.17	136.80	0.00
OTAL COUNTY	20,375.48	0.00	123.51	20,251.97	20,115.17	136.80	0.00
** HEALTH TAXES ***							
REAL_ESTATE	5,448.11	0.00	33.03	5,415.08	5,378.49	36.59	0.00
OTAL HEALTH	5,448.11	0.00	33.03	5,415.08	5,378.49	36.59	0.00
** LIBRARY TAXES ***							
REAL_ESTATE	19,285.89	0.00	118.91	19,168.98	19,039.52	129.46	0.00
OTAL LIBRARY	19,285.89	0.00	118.91	19,168.98	19,039.52	129.46	0.00
** SCHOOL TAXES ***							
REAL_ESTATE	72,022.75	0.00	436.59	71,586.16	71,102.53	483.63	0.00
OTAL SCHOOL	72,022.75	0.00	436.59	71,586.16	71,102.53	483.63	0.00
** SOIL CONSV TAXES ***							
REAL_ESTATE	2,179.27	0.00	13.21	2,166.06	2,151.43	14.63	0.00
OTAL SOIL CONSV	2,179.27	0.00	13.21	2,166.06	2,151.43	14.63	0.00
** STATE TAXES ***							
REAL_ESTATE	13,293.26	0.00	80.58	13,212.68	13,123.39	89.29	0.00
OTAL STATE	13,293.26	0.00	80.58	13,212.68	13,123.39	89.29	0.00
* TOTAL DISTRICT ***	144,195.87	0.00	874.09	143,321.78	142,353.55	968.23	0.00

Tax Year: 2018

LESLIE COUNTY
 SUMMARY OF TAX COLLECTIONS FOR YEAR TO DATE
 FOR UNMINED COAL BILLS
 For Bills Greater Than The Minimum Bill Value

Run Date: 9/9/2019

Last Payment Date: 8/16/2019 12:00:00AM

	Original	Additional	Exonerations	Net Charges	Collections	Delinquent	Difference
* CO_EXTENSION TAXES ***							
REAL_ESTATE	16,482.97	0.00	275.38	16,207.59	12,738.91	3,468.68	0.00
OTAL CO_EXTENSION	16,482.97	0.00	275.38	16,207.59	12,738.91	3,468.68	0.00
* COUNTY TAXES ***							
REAL_ESTATE	28,969.12	0.00	483.99	28,485.13	22,388.87	6,096.26	0.00
OTAL COUNTY	28,969.12	0.00	483.99	28,485.13	22,388.87	6,096.26	0.00
* HEALTH TAXES ***							
REAL_ESTATE	7,745.75	0.00	129.41	7,616.34	5,986.32	1,630.02	0.00
OTAL HEALTH	7,745.75	0.00	129.41	7,616.34	5,986.32	1,630.02	0.00
* LIBRARY TAXES ***							
REAL_ESTATE	27,419.79	0.00	458.10	26,961.69	21,191.49	5,770.20	0.00
OTAL LIBRARY	27,419.79	0.00	458.10	26,961.69	21,191.49	5,770.20	0.00
* SCHOOL TAXES ***							
REAL_ESTATE	102,398.59	0.00	1,710.77	100,687.82	79,139.04	21,548.78	0.00
OTAL SCHOOL	102,398.59	0.00	1,710.77	100,687.82	79,139.04	21,548.78	0.00
* SOIL CONSV TAXES ***							
REAL_ESTATE	3,098.29	0.00	51.78	3,046.53	2,394.55	651.98	0.00
OTAL SOIL CONSV	3,098.29	0.00	51.78	3,046.53	2,394.55	651.98	0.00
* STATE TAXES ***							
REAL_ESTATE	18,899.60	0.00	315.78	18,583.84	14,606.51	3,977.23	0.00
OTAL STATE	18,899.60	0.00	315.78	18,583.84	14,606.51	3,977.23	0.00
* TOTAL DISTRICT ***	206,014.11	0.00	3,425.17	201,588.94	159,445.79	43,143.15	0.00

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*

THIS PAGE LEFT BLANK INTENTIONALLY



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable William Lewis, Leslie County Judge/Executive
The Honorable Delano Huff, Former Leslie County Sheriff
The Honorable Billy M. Collett, Leslie County Sheriff
Members of the Leslie 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 were engaged to audit, 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 former Leslie County Sheriff's Settlement - 2018 Taxes for the period April 17, 2018 through December 31, 2018 - Regulatory Basis and the related notes to the financial statement and have issued our report thereon dated July 7, 2020. The former Leslie 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. Our report disclaims an opinion on the financial statement because the former Leslie County Sheriff did not maintain adequate accounting records of tax receipts and disbursements to allow us to apply auditing procedures to satisfy ourselves as to the validity of tax account collections and disbursements, which resulted in a high level of audit risk. Due to the apparent lack of internal controls and the above noted issues, we were unable to reduce the audit risk to an acceptable level.

Internal Control Over Financial Reporting

In connection with our engagement of the financial statement, we considered the former Leslie 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 former Leslie County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the former Leslie County Sheriff's internal control.

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 Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider 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 *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 Schedule of Findings and Responses as items 2018-001, 2018-002, and 2018-003 to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the former Leslie County Sheriff's financial statement is free from 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 Schedule of Findings and Responses as items 2018-003, 2018-004, 2018-005 and 2018-006.

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

July 7, 2020

SCHEDULE OF FINDINGS AND RESPONSES

THIS PAGE LEFT BLANK INTENTIONALLY

LESLIE COUNTY
 DELANO HUFF, FORMER SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES

For The Period April 17, 2018 Through December 31, 2018

FINANCIAL STATEMENT FINDINGS:

2018-001 The Former Leslie County Sheriff's Office Did Not Have Adequate Segregation Of Duties Over Receipts, Disbursements, And Reconciliations

This is a repeat finding and was included in the prior year audit report as Finding 2017-001. The former Leslie County Sheriff's office did not have adequate segregation of duties over receipts, disbursements, and bank reconciliations. The bookkeeper opened mail, collected tax payments, prepared the daily checkout sheet and the daily deposit, opened bank statements, and prepared bank reconciliations. In addition, the bookkeeper was responsible for preparing the monthly tax reports and all disbursements. These incompatible duties create a lack of segregation of duties over receipts, disbursements, and the reconciliation process.

The sheriff's office stated they cannot hire additional employees to allow segregation of duties due to a limited budget. The lack of segregation of duties could result in undetected misappropriation of assets or inaccurate financial reporting to local taxing districts.

The segregation of duties over various accounting functions such as opening mail, preparing deposits, and recording payments and disbursements, is essential for providing protection from asset misappropriation or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. The former sheriff could have implemented oversight when duties could not be segregated.

We recommend the sheriff's office segregate duties over accounting functions. If this is not feasible due to a limited budget, then strong compensating controls should be implemented and evidence of those controls documented. Examples of such controls include, but are not limited to:

- The sheriff, or his designee (an individual independent of the preparation of the source documents), should compare the daily checkout sheet to tax reports and bank deposit receipts then document the review by signing or initialing all source documents.
- The sheriff, or his designee, should examine the bank reconciliation prepared by the bookkeeper, resolving any discrepancies, and documenting the review by initialing the bank reconciliation and the bank statement.
- The sheriff, or his designee, should compare the bank reconciliation with the receipts and disbursements ledgers then document the comparison by signing or initialing all source documents.
- The sheriff should examine checks prepared by the bookkeeper and compare those disbursements to the monthly tax reports and the disbursements ledger, resolving any discrepancies, then documenting the review by initialing the source documents.

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

2018-002 The Former Leslie County Sheriff Lost All Data Pertaining To 2018 Tax Collections And Did Not Have Back Up Procedures In Place For Tax Collection Data

The former Leslie County Sheriff's Office lost all data pertaining to 2018 tax collections. An attempt was made to recover the lost information, but this was unsuccessful. The former sheriff was under the impression that the vendor for the tax collection software provided backup services, but learned that this was a service that had to be purchased separately. As a result, all information concerning 2018 tax collections was lost and unable to be recovered.

LESLIE COUNTY
 DELANO HUFF, FORMER SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Period April 17, 2018 Through December 31, 2018
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-002 The Former Leslie County Sheriff Lost All Data Pertaining To 2018 Tax Collections And Did Not Have Back Up Procedures In Place For Tax Collection Data (Continued)

Good internal controls require that the sheriff ensure that procedures are in place to protect tax collection data. We recommend the sheriff's office ensure all data is backed up in the event of technology failure.

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

2018-003 The Former Leslie County Sheriff's 2018 Tax Settlement Was Not Accurate And Not Supported By Accounting Records

The former Leslie County Sheriff's 2018 tax settlement was not an accurate representation of the tax collections and distributions of the former sheriff's office for tax year 2018. Multiple items on the former sheriff's tax settlement were incorrect and could not be supported by accounting records. The former sheriff was unable to produce supporting documentation for the tax settlement because of a loss of tax collection data from the former sheriff's software system. The former sheriff still owes taxing districts \$104,942 in order to settle 2018 tax collections. Due to the lack of financial records, the former sheriff's tax settlement could not be verified; therefore, auditors are unable to express an opinion on the former sheriff's 2018 tax settlement.

The former sheriff did not maintain supporting documentation for the 2018 tax settlement. The former sheriff's bookkeeper was unavailable, and the former sheriff was unable to obtain any information from the tax collection software system.

The lack of sufficient internal controls over the financial reporting process allowed for multiple errors in the former sheriff's county tax settlement to occur and not be detected. These errors include:

- Charges of at least \$783,232 were not included on the settlement.
- Credits of at least \$872,551 were not included on the settlement.
- Commissions were understated by at least \$59,614.
- Tax payments to districts were understated by at least \$1,960,803.

According to KRS 43.075(3) "[t]he uniform audit standards and procedures promulgated by the Auditor shall include but need not be limited to the requirement that each person performing an audit shall determine whether the fiscal court or county official is complying with the requirements of the uniform system of accounts adopted under KRS 68.210, whether there is accurate recording of receipts by source and expenditures by payee, and whether or not each official is complying with all other legal requirements relating to the management of public funds by his office[.]" Additionally, effective internal controls over financial reporting are essential to ensure that financial reports are accurate.

We recommend the sheriff's office ensure compliance with KRS 43.075(3) by guaranteeing the tax settlements are accurate and complete. We also recommend the sheriff's office implement internal controls such as, but not limited to, a person other than the bookkeeper tracing amounts from the settlement to source documentation, recalculating commissions, and comparing taxes collected on the settlement to the monthly reports. These additional controls should be evidenced by the reviewer's initials or signature on the supporting documentation.

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

LESLIE COUNTY
 DELANO HUFF, FORMER SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Period April 17, 2018 Through December 31, 2018
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-004 The Former Leslie County Sheriff Has Not Properly Settled 2018 Tax Account Receivables And Liabilities

The following 2018 tax account receivables and liabilities have not been properly settled:

Assets

Reconciled Cash Balance		\$	95,206
Receivables at Year End:			
Due from 2018 Fee Account for Check Order Charges	\$	32	
Due from 2018 Fee Account for Tax Collection Deposit Error		9,425	
Due from 2017 Tax Account for Tax Collection Deposit Errors		<u>3,500</u>	12,957
Total Assets			<u>108,163</u>

Liabilities

Unpaid Obligations:

Based On Available Records			
State		30	
County		15,216	
School		60,747	
Library		15,245	
Health		4,498	
Extension		8,757	
Soil		449	
Refunds Due Taxpayers		296	
Tax Commissions Due Sheriff's Fee Account		1,256	
Tax Commissions Due School		<u>1,963</u>	
Total Unpaid Obligations			<u>108,457</u>
Total Fund Deficit as of December 31, 2018		\$	<u>(294)</u>

Note: This schedule was prepared by auditors, based on available records, in an attempt to account for the remaining cash balance maintained by the former sheriff. Auditors cannot express an opinion on the former sheriff's tax settlement, but were able to verify that these amounts are still due to/due from taxpayers and taxing districts to settle 2018 tax collections.

The former sheriff was unaware of these receivables and liabilities. As a result of not settling the prior year tax accounts, taxing districts have not received all of the collections that were due to them, taxpayers have not received refunds, and commissions have not been properly paid to the former sheriff's fee account.

LESLIE COUNTY
 DELANO HUFF, FORMER SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Period April 17, 2018 Through December 31, 2018
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-004 The Former Leslie County Sheriff Has Not Properly Settled 2018 Tax Account Receivables And Liabilities (Continued)

KRS 134.192(1) states, “[e]ach sheriff shall annually settle his or her accounts with the department, the county, and any district for which the sheriff collects taxes on or before September 1 of each year. If any sheriff resigns, dies, or otherwise vacates his or her office, the books and records shall be made available to the department, the county, and any other district for which the sheriff collects taxes within thirty (30) days from the date that the office is vacated. The annual settlement of the sheriff shall be audited in accordance with KRS 43.070 and 64.810.” KRS 64.820(1) states, “[t]he fiscal court shall collect any amount due the county from county officials as determined by the audit of the official[.]”

We recommend the former sheriff personally deposit the \$294 to the 2018 tax account. We further recommend the former sheriff collect and distribute the receivables and liabilities identified to settle all tax collections.

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

2018-005 The Former Leslie County Sheriff Has Not Settled His 2014, 2015, 2016, And 2017 Tax Accounts

The 2014, 2015, 2016, and 2017 tax account receivables and liabilities have not been properly settled. The receivables and liabilities from all prior tax years have been consolidated as follows:

Cash in Bank		\$	9,160
Receivables:			
Due From Library	\$	47	
Service Charges Due From 2017 Fee Account		25	
Service Charges Due From Former Sheriff Personally		150	
Refunds In Error Due From Taxpayers		2,841	
Due from 2016 Oil & Gas Tax Account		102	
Due from 2016 UMC Tax Account		85	3,250
Total Assets			12,410
Liabilities:			
Due 2018 Tax Account for 2018 Franchise Bill Received July 2018			3,235
Refunds Due to Taxpayers			3,050
Due 2018 Tax Account from 2017 Tax Account for Supplemental Bill			266
Due Districts Per Draft Settlements -			
State		157	
County		1,302	
School		2,663	
Health		158	
Extension		357	
Soil		371	
City of Hyden		5	5,013
Total Liabilities			11,564
Total Fund Surplus		\$	846

LESLIE COUNTY
 DELANO HUFF, FORMER SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Period April 17, 2018 Through December 31, 2018
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-005 The Former Leslie County Sheriff Has Not Settled His 2014, 2015, 2016, And 2017 Tax Accounts
 (Continued)

The former sheriff was unaware that these liabilities had not been settled by the former bookkeeper. As a result of not settling the prior year tax accounts, taxing districts have not received all of the collections that were due to them. KRS 134.192(1) states, “[e]ach sheriff shall annually settle his or her accounts with the department, the county, and any district for which the sheriff collects taxes on or before September 1 of each year. If any sheriff resigns, dies, or otherwise vacates his or her office, the books and records shall be made available to the department, the county, and any other district for which the sheriff collects taxes within thirty (30) days from the date that the office is vacated. The annual settlement of the sheriff shall be audited in accordance with KRS 43.070 and 64.810.” KRS 64.820(1) states, “[t]he fiscal court shall collect any amount due the county from county officials as determined by the audit of the official[.]”

We recommend the former sheriff collect and distribute the receivables and liabilities identified to settle all tax collections. We further recommend the former sheriff pay any surplus to the Leslie County Fiscal Court.

Former Sheriff’s Response: The former sheriff did not provide a response.

2018-006 The Former Leslie County Sheriff Distributed Taxes Late

This is a repeat finding and was included in the prior year audit report as finding 2017-003. The former Leslie County Sheriff was responsible for collecting taxes from taxpayers and reporting and paying collections to taxing districts on a monthly basis. All tax payments are required to be distributed by the tenth of the month following collections. The former sheriff’s office did not always distribute these taxes within the required time. Four of the former sheriff’s months of collections were distributed late totaling \$58,930.

According to the former sheriff, the former bookkeeper did not always distribute taxes timely. As a result, taxing districts did not always receive their portion of taxes in the time required.

Strong internal controls require the sheriff monitor tax distributions to taxing districts. KRS 134.191(1) states in part, “[t]he sheriff shall provide monthly reports by the tenth day of each month to the chief executive of the county the department, and any other district for which the sheriff collects taxes.” KRS 134.191(3) states, “[a]t the time of making the report, the sheriff shall pay to the county treasurer or other officer designated by the governing body of a county, to the department, and to any other district for which the sheriff collects taxes, all funds belonging to the county, the state, or the other district that were collected during the period covered by the report.”

We recommend the sheriff’s office implement internal controls to ensure that taxes are prepared and funds distributed by the tenth of each month as required by KRS 134.191.

Former Sheriff’s Response: The former sheriff did not provide a response.