



Auditor of Public Accounts
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Harmon Releases Audit of Webster County Sheriff's Unmined Coal Tax Settlement

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2014 unmined coal taxes for Webster County Sheriff Frankie Springfield. State law requires the auditor to annually audit the accounts of each county sheriff. In compliance with this law, the auditor issues two sheriff's reports each year: one reporting on the audit of the sheriff's tax account, and the other reporting on the audit of the fee account used to operate the office.

Auditing standards require the auditor's letter to communicate whether the sheriff's settlement presents fairly the taxes charged, credited and paid in accordance with accounting principles generally accepted in the United States of America. The sheriff's settlement is prepared on the regulatory basis, which is described in the auditor's opinion letter. Regulatory basis reporting for the sheriff's settlement is an acceptable reporting methodology, and this reporting methodology is followed for all 120 sheriff settlements in Kentucky.

The sheriff's financial statement fairly presents the taxes charged, credited and paid for the period, April 8, 2014 through April 17, 2015 in conformity with the regulatory basis of accounting.

As part of the audit process, the auditor must comment on non-compliance with laws, regulations, contracts and grants. The auditor must also comment on material weaknesses involving the internal control over financial operations and reporting.

The audit contains the following comments:

The sheriff's office lacks segregation of duties. The sheriff's bookkeeper collects payments from customers, prepares deposits, writes checks, post transactions to the receipts and disbursement ledgers, prepares monthly bank reconciliations, and prepares all monthly tax reports. The sheriff has not segregated incompatible accounting functions among office staff or implemented

documented compensating controls to offset this internal control deficiency. A lack of oversight could result in the undetected misappropriation of assets and inaccurate financial reporting to external agencies, such as the Department of Revenue. The segregation of duties, or the implementation of compensating controls, is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

The sheriff should separate the duties involved in receiving cash, preparing deposits, writing checks, posting to ledgers, preparing monthly bank reconciliations, and comparing financial reports to ledgers. If this is not feasible, cross-checking procedures should be implemented and documented by the individual performing the procedure.

Sheriff's response: This is hard to be in compliance due to lack of office help during tax time.

The sheriff failed to distribute interest on a monthly basis. The sheriff failed to distribute interest payments on a monthly basis to the board of education and the sheriff's fee account. The lack of interest payments made to the board of education and the sheriff's fee account was due to an oversight made by the bookkeeper. The fee account and board of education did not receive the proper amount owed by the sheriff's 2014 unmined coal account.

KRS 134.140 (2) states, in part, "As part of the monthly distribution of taxes to a district board of education...the sheriff shall pay to the board of education that part of his investment earnings for the month which are attributable to the investment of school taxes..."

We recommend the sheriff comply with KRS 134.140(2) and make interest payments to the board of education and fee account on a monthly basis.

Sheriff's response: Sheriff and bookkeeper will do what Auditors recommend to get in compliance and make changes.

The sheriff's responsibilities include collecting property taxes, providing law enforcement and performing services for the county fiscal court and courts of justice. The sheriff's office is funded through statutory commissions and fees collected in conjunction with these duties.

The audit report can be found on the [auditor's website](#).

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