REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
CLINTON COUNTY
SHERIFF'S SETTLEMENT - 1999 TAXES

August 19, 2000

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EXECUTIVE SUMMARY

CLINTON SHERIFF
KAY RIDDLE, SHERIFF
SHERIFF'S SETTLEMENT - 1999 TAXES
August 19, 2000

Type of Opinion:

We were unable to obtain a legal representation letter from the Sheriff's legal counsel, therefore we are issuing a qualified opinion on the financial statement.

Comments and Recommendations:

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following areas of noncompliance.

- The Sheriff Should Eliminate $2,165 Deficit In His Tax Account
- The Sheriff Should Close His Tax Accounts By Collecting All Receivables And Paying All Amounts Owed
- The Sheriff Should Withhold Correct Commission For Tax Collections
- The Sheriff Should Pay Gross Tax Collections To The Board Of Education
- The Sheriff Should Distribute Tax Collections By The Tenth Of Month
- The Sheriff Should Distribute Interest Earned On Tax Collections Monthly
- The Sheriff Should Deposit Funds Intact On A Daily Basis
- The Sheriff Should Prepare Tax Settlement By September 1
- The Sheriff Should Publish Settlement
- The Sheriff Should Pay Advertising Costs To The Fiscal Court
- The Sheriff Should Transfer Any Delinquent Franchise Tax Bills To County Clerk
- Lack Of Segregation Of Duties Is A Reportable Condition And A Material Weakness
- The Sheriff Should Improve Recordkeeping Procedures
- Other Reportable Conditions And Material Weaknesses
- County Clerk Prepared Amended Franchise Bill

Litigation:

On July 21, 2000, Clinton County legal counsel, on behalf of the Clinton County Fiscal Court and Clinton County Taxing Districts, filed a lawsuit in Franklin Circuit Court against Clinton County Sheriff Kay Riddle and his bonding companies, Great American Insurance Company and United Pacific Insurance Company. This lawsuit seeks to recover $58,797 owed the Clinton County Fiscal Court and Clinton County Taxing Districts per audit reports for Sheriff's Settlement - 1997 Taxes and Sheriff's Settlement - 1998 Taxes.

Additional Information:

- $256,879 of taxes collected were not distributed by the tenth of the following month.
- $283,797 of tax collections were not deposited in a timely manner. These deposits took four days to eleven months to clear the bank.

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
Kevin Flanery, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Charlene King, Clinton County Judge/Executive
Honorable Kay Riddle, Clinton County Sheriff
Members of the Clinton County Fiscal Court

Independent Auditor's Report

We have audited the Clinton County Sheriff's Settlement - 1999 Taxes as of August 19, 2000. This tax settlement is the responsibility of the Clinton County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

Except as discussed in the fourth paragraph, we conducted our audit in accordance with generally accepted Government Auditing Standards and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

We were unable to obtain a legal representation letter from the Sheriff's legal counsel as required by generally accepted auditing standards.

In our opinion, except for the effects of the matter discussed above, if any, the accompanying financial statement referred to above presents fairly, in all material respects, the Clinton County Sheriff's taxes charged, credited, and paid as of August 19, 2000, in conformity with the basis of accounting described in the preceding paragraph.

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To the People of Kentucky
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In accordance with Government Auditing Standards, we have also issued a report dated October 26, 2000, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following areas of noncompliance.

- The Sheriff Should Eliminate A $2,165 Deficit In His Tax Account
- The Sheriff Should Close His Tax Accounts By Collecting All Receivables And Paying All Amounts Owed
- The Sheriff Should Withhold Correct Commission For Tax Collections
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- Other Reportable Conditions And Material Weaknesses
- County Clerk Prepared Amended Franchise Bill

The schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly presented in all material respects in relation to the financial statement taken as a whole.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 26, 2000

CLINTON COUNTY
KAY RIDDLE, SHERIFF
SHERIFF'S SETTLEMENT - 1999 TAXES

August 19, 2000

Charges	County Taxes	Special Taxing Districts	School Taxes	State Taxes
Real Estate	$ 115,258	$ 148,555	$ 862,304	$ 315,893
Tangible Personal Property	8,188	7,732	41,050	58,822
Intangible Personal Property				6,573
Fire Protection	997			
Franchise Corporation	12,408	12,323	65,715	
Oil Property	576	742	4,306	1,577
Limestone, Sandstone, and Gravel Reserves	43	56	322	118
Additional Billings	144	186	1,078	395
Increased Through Erroneous Assessments	2	2	12	5
Penalties	1,221	1,532	8,837	3,578
Adjusted to Sheriff's Receipt	(6)	10	(4)	
Gross Chargeable to Sheriff	$ 138,831	$ 171,138	$ 983,620	$ 386,961
Credits				
Discounts	$ 1,636	$ 2,047	$ 11,824	$ 5,233
Exonerations	1,335	1,701	9,873	3,620
Delinquents:				
Real Estate	5,824	7,477	43,400	15,899
Tangible Personal Property	25	15	79	90
Uncollected Franchise Corporation	787	905	4,656	
Total Credits	$ 9,607	$ 12,145	$ 69,832	$ 24,842
Net Tax Yield	$ 129,224	$ 158,993	$ 913,788	$ 362,119
Less: Commissions *	5,780	6,757	36,552	15,677
Net Taxes Due	$ 123,444	$ 152,236	$ 877,236	$ 346,442
Taxes Paid	123,612	152,663	878,338	346,252
Refunds (Current and Prior Year)	110	138	812	300
Refunds Due Sheriff as of Completion of Fieldwork	$ (278)	** $ (565)	$ (1,914)	$ (110)

* and ** See Page 4

CLINTON COUNTY
KAY RIDDLE, SHERIFF
SHERIFF'S SETTLEMENT - 1999 TAXES
August 19, 2000
(Continued)

* Commissions:		
10% on	$	10,000
4.25% on	$	640,336
4% on	$	913,788

** Special Taxing Districts:		
Library District	$	(92)
Health District		(94)
Extension District		(330)
Soil Conservation District		(49)
Refunds Due Sheriff	$	(565)

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

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENT

August 19, 2000

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 cash basis of accounting. 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

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, 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 Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), 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 depositary 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. These requirements were met, as of November 5, 1999, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1999. Property taxes were billed to finance governmental services for the year ended June 30, 2000. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 29, 1999 through August 19, 2000.

Note 4. Interest Income

The Clinton County Sheriff earned $2,142 as interest income on 1999 taxes. As noted in the comments and recommendations section of this report, the Sheriff should distribute the appropriate amount to the school district as required by statute, and the remainder should be used to operate the Sheriff's office.

Note 5. Litigation

On July 21, 2000, Clinton County legal counsel, on behalf of the Clinton County Fiscal Court and Clinton County Taxing Districts, filed a lawsuit in Franklin Circuit Court against Clinton County Sheriff Kay Riddle and his bonding companies, Great American Insurance Company and United Pacific Insurance Company. This lawsuit seeks to recover $58,797 owed the Clinton County Fiscal Court and Clinton County Taxing Districts per audit reports for Sheriff's Settlement - 1997 Taxes and Sheriff's Settlement - 1998 Taxes.

Note 6. Contingency

The Schedule of Excess of Liabilities Over Assets included in the audit report of the Sheriff's Settlement - 1999 Taxes as of August 19, 2000 includes receivables of $30,374 from the 1999 Fee Account. The audit report for the Clinton County Sheriff - Calendar Year 1999 (1999 Fee Account) issued by the Auditor of Public Accounts includes a Schedule of Excess of Liabilities Over Assets. The Schedule of Excess of Liabilities Over Assets for Calendar Year 1999 includes liabilities due to the 1997 Tax Account of $11,024, 1998 Tax Account of $15,825, and 1999 Tax Account of $8,525 for a total of $35,374. Since the release of the Calendar Year 1999 audit report, the Sheriff has transferred $5,000 from his 1999 Fee Account to his 1999 Tax Account. Therefore, liabilities of $30,374 are still due from the 1999 Fee Account to the 1997 Tax Account, 1998 Tax Account, and 1999 Tax Account. In order for the Sheriff to pay these liabilities of the 1999 Fee Account, he must first collect all receivables as listed in the Schedule of Excess of Liabilities Over Assets for Calendar Year 1999.

The receivables on the Schedule of Excess of Liabilities Over Assets for Calendar Year 1999 includes a receivable for contribution for Sheriff's statutory maximum from the Clinton County Fiscal Court of $42,481. According to the legal counsel for the Clinton County Fiscal Court, the Clinton County Fiscal Court plans to vigorously contest this receivable. The Clinton County Fiscal Court's legal counsel stated that any attempt to collect this receivable would require litigation.

If the Sheriff is unable to collect the $30,374 of receivables for 1997 Taxes, 1998 Taxes, and 1999 Taxes, he will be unable to pay all unpaid obligations for 1997 Taxes, 1998 Taxes, and 1999 Taxes with funds due from the fiscal court.

CLINTON COUNTY
KAY RIDDLE, SHERIFF
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS

August 19, 2000

Assets

Cash in Bank (All Tax Accounts)			$	35,923
Deposits in Transit				3,276
Collected Receivables:				
Tax Receipts	$	17,237		
Interest Earned		74		
Redeposited Returned Items		1,619		
Transferred from Fee Account for Overpayment of Tax Commissions		5,000		23,930
Uncollected Receivables:				
Other Taxing Districts-				
1999 Taxes -				
Kentucky State Treasurer	$	110		
Clinton County -				
Fiscal Court		278		
Board of Education		1,914		
Library District		92		
Health District		94		
Extension District		330		
Soil Conservation District		49		
1998 Fee Account-				
Overpayment of Tax Commissions -				
1997 Taxes		9,423		
1998 Taxes		14,813		
Franchise Taxes Deposited to Fee Account - 1997 Taxes		1,172		
Funds Transferred in Error - 1996 Refunds		3,096		
1999 Fee Account-				
Overpayment of Tax Commissions-				
1997 Taxes		11,000		
1998 Taxes		13,998		
1999 Taxes		3,525		
Bank Service Charges-				
1997 Taxes		24		
1998 Taxes		110		
Taxes Deposited to Fee Account - 1998 Taxes		1,717		
2000 Fee Account-				
Bank Service Charges-				
1999 Taxes		77		
Refund from Kentucky State Treasurer		168		

CLINTON COUNTY
KAY RIDDLE, SHERIFF
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS
August 19, 2000
(Continued)

Assets (Continued)				
Uncollected Receivables: (Continued)				
1998 Tax Account-				
Funds Transferred from 1997 Tax to 1998 Tax	$	3,000		
Funds Transferred from 1999 Tax to 1998 Tax		667	$	65,657
Total Assets			$	128,786
Liabilities				
Outstanding Checks			$	14,642
Paid Obligations:				
Other Taxing Districts-				
1999 Taxes -				
Kentucky State Treasurer	$	7,424		
Clinton County -				
Fiscal Court		2,862		
Board of Education		18,057		
Library District		971		
Health District		5,427		
Extension District		4,369		
Soil Conservation District		5,178		
Board of Education - 1999 Interest		1,097		
1998 Taxes -				
Kentucky State Treasurer		227		
Refunds to Taxpayer		172		
Bank Service Charges		9		
Total Paid Obligations				45,793

CLINTON COUNTY
KAY RIDDLE, SHERIFF
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS
August 19, 2000
(Continued)

Liabilities (Continued)

Unpaid Obligations:		
Other Taxing Districts-		
Clinton County-		
Fiscal Court-		
1997 Taxes	$	3,508
1998 Taxes		2,926
1996 Advertising Costs		12
1997 Advertising Costs		334
1998 Advertising Costs		387
1999 Advertising Costs		354
Board of Education-		
1997 Taxes		21,961
1998 Taxes		20,566
1996 Interest		455
1997 Interest		1,586
1998 Interest		72
1999 Interest		104
Overpayment of Tax Commission - 1998 Taxes		19
Library District-		
1997 Taxes		901
1998 Taxes		718
Health District-		
1997 Taxes		1,041
1998 Taxes		828
Extension District-		
1997 Taxes		1,042
1998 Taxes		859
Soil Conservation District-		
1997 Taxes		478
1998 Taxes		877

CLINTON COUNTY
KAY RIDDLE, SHERIFF
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS
August 19, 2000
(Continued)

Liabilities (Continued)

Unpaid Obligations: (Continued)		
Amounts Due Sheriff's Fee Account-		
Tax Commissions - 1999 Taxes Due to 2000 Fee Account	$ 1,190	
Bank Share Commissions - 1998 Taxes	24	
1998 Interest	675	
1999 Interest	941	
Sheriff's Fees -		
1998 Taxes	3,983	
1999 Taxes	328	
Miscellaneous Fees	40	
1997 Tax Account-		
Funds Transferred from 1997 Tax to 1998 Tax	3,000	
1999 Tax Account-		
Funds Transferred from 1999 Tax to 1998 Tax	667	
Refunds Due Taxpayers-		
Overpayment of 1996 Franchise Tax Bill	18	
Overpayment of 1998 Property Tax Bill	45	
Overpayment of 1999 Franchise Tax Bill	244	
Exoneration on 1998 Taxes	165	
Exoneration on 1999 Taxes	168	
Total Unpaid Obligations		$ 70,516
Total Liabilities		$ 130,951
Total Fund Deficit as of August 19, 2000		$ (2,165)

COMMENTS AND RECOMMENDATIONS

CLINTON COUNTY
KAY RIDDLE, SHERIFF
COMMENTS AND RECOMMENDATIONS

August 19, 2000

STATE LAWS AND REGULATIONS:

1) The Sheriff Should Eliminate A $2,165 Deficit In His Tax Account

Based on available records, there is a $2,165 deficit in the Sheriff's official tax account. This results from undeposited 1999 tax receipts of $2,165. We recommend that Sheriff Riddle eliminate the current year deficit with personal funds and in the future should deposit all tax receipts on a daily basis. This matter has been referred to the Attorney General's Office for appropriate action.

Sheriff's Response:

None.

2) The Sheriff Should Close His Tax Accounts By Collecting All Receivables And Paying All Amounts Owed

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. The following net collections and net payables should be made:

Money Due From Others:		
1998 Fee Account	$ 28,504	
1999 Fee Account	25,692	
Kentucky State Treasurer	110	
Total Due From Others		$ 54,306
Money Due To Others:		
2000 Fee Account	$ 2,254	
Clinton County-		
Fiscal Court	7,243	
Board of Education	42,849	
Library District	1,527	
Health District	1,775	
Extension District	1,571	
Soil Conservation District	1,306	
Refunds Due Taxpayers	640	
Total Due Others		$ 59,165

When the personal funds of $2,165 referred to in comment one are deposited in the official tax account, the above collections and distributions, along with the available tax bank account cash of $2,694, will be sufficient to close the Sheriff's tax accounts for tax years 1997, 1998, and 1999. We recommend the Sheriff collect the above $54,306 of receivables and combined with the personal funds of $2,165 and the available cash of $2,694 pay the listed $59,165 of money owed.

Sheriff's Response:

None.

STATE LAWS AND REGULATIONS (Continued)

3) The Sheriff Should Withhold Correct Commissions For Tax Collections

Sheriff Riddle earned $64,766 in commissions for 1999 tax collections. However, net commissions paid to the fee account totaled $67,101. A balance of $2,335 is due from the fee account for 1999 tax commissions. This balance consists of $3,525 due from the 1999 fee account and $1,190 due to the 2000 fee account. These amounts are included in the receivables and liabilities discussed in comment two. KRS 134.170 states ". . . the sheriff shall not apply or use any money received by him for any purpose other than that for which the money was paid or collected." We recommend the Sheriff pay actual tax commissions earned to the fee account on a monthly basis.

Sheriff's Response:

None.

4) The Sheriff Should Pay Gross Tax Collections To The Board Of Education

KRS 160.150 requires the Sheriff to pay gross tax collections to the board of education. The board of education then shall pay tax commission to the Sheriff as provided for in KRS 160.500. Sheriff Riddle delivered seventeen tax reports to the Clinton County Board of Education. However, the Sheriff only paid gross tax collections to the board of education on seven of the seventeen tax reports. We recommend the Sheriff pay gross tax collections to the board of education as required by KRS 160.150. The board of education should then pay the tax commission to the Sheriff.

Sheriff's Response:

None.

5) The Sheriff Should Distribute Tax Collections By The Tenth Of Month

The Sheriff did not report and distribute money collected during the preceding month by the tenth of each month as required by KRS 134.300. All franchises and oil property taxes collected were not reported and distributed in a timely manner. In addition, the Sheriff did not distribute money collected by the tenth of the following month. As noted below, monthly reports were paid one to nine months late.

a) Regular Taxes

District	Month/Year Collected	Month/Year Reported	Date Check Written	Date Check Cleared Bank	Amount
State	November 1999	November 1999	12/10/1999	01/11/2000	$ 86,254
County	November 1999	November 1999	01/05/2000	01/07/2000	6,766

CLINTON COUNTY
KAY RIDDLE, SHERIFF
COMMENTS AND RECOMMENDATIONS
August 19, 2000
(Continued)

STATE LAWS AND REGULATIONS (Continued)

5) The Sheriff Should Distribute Tax Collections By The Tenth Of Month (Continued)

a) Regular Taxes (Continued)

District	Month/Year Collected	Month/Year Reported	Date Check Written	Date Check Cleared Bank	Amount
Common School	November 1999	November 1999	12/28/1999	12/28/1999	$ 50,187
Common School	March 2000	March 2000	04/24/2000	05/01/2000	23,626
Fire Acres	November 1999	November 1999	01/05/2000	01/07/2000	75
Library	November 1999	November 1999	12/29/1999	12/29/1999	2,339
Library	December 1999	December 1999	01/14/2000	02/23/2000	4,835
Library	March 2000	March 2000	04/24/2000	05/05/2000	1,098
Health	November 1999	November 1999	09/06/2000	09/11/2000	2,478
Health	December 1999	December 1999	01/14/2000	02/18/2000	5,131
Extension Service	November 1999	November 1999	01/26/2000	01/27/2000	2,270
Soil Conservation	November 1999	November 1999	09/06/2000	09/11/2000	1,558
Soil Conservation	December 1999	December 1999	09/06/2000	09/11/2000	3,240
Total					$ 189,857

b) Franchise Taxes

District	Month Collected	Month Reported	Date Check Written	Date Check Cleared Bank	Amount
County	November 1999	November 1999	01/05/2000	01/07/2000	$ 7,908
Common School	November 1999	November 1999	12/28/1999	12/28/1999	41,809
Library	November 1999	November 1999	12/29/1999	12/29/1999	2,601
Health	November 1999	July 2000	09/06/2000	09/11/2000	2,064
Extension Service	November 1999	July 2000	09/06/2000	09/11/2000	3,307
Soil Conservation	November 1999	July 2000	09/06/2000	09/11/2000	77
County	June 2000	July 2000	09/06/2000	09/15/2000	491
County	December 1999, June 2000, and August 2000	July 2000	09/05/2000	09/15/2000	342

CLINTON COUNTY
KAY RIDDLE, SHERIFF
COMMENTS AND RECOMMENDATIONS
August 19, 2000
(Continued)

STATE LAWS AND REGULATIONS (Continued)

5) The Sheriff Should Distribute Tax Collections By The Tenth Of Month (Continued)

b) Franchise Taxes (Continued)

District	Month Collected	Month Reported	Date Check Written	Date Check Cleared Bank	Amount
Common School	December 1999, June 2000, and August 2000	July 2000	09/05/2000	09/06/2000	$ 1,846
Common School	June 2000	July 2000	09/06/2000	09/27/2000	2,678
Library	June 2000	July 2000	09/06/2000	09/11/2000	161
Library	December 1999, June 2000, and August 2000	July 2000	09/05/2000	09/11/2000	99
Health	June 2000	July 2000	09/06/2000	09/11/2000	127
Health	December 1999, June 2000, and August 2000	July 2000	09/05/2000	09/11/2000	90
Extension Service	June 2000	July 2000	09/06/2000	09/11/2000	191
Extension Service	December 1999, June 2000, and August 2000	July 2000	09/05/2000	09/05/2000	113
Soil Conservation	June 2000	July 2000	09/06/2000	09/11/2000	28
Soil Conservation	December 1999, June 2000, and August 2000	July 2000	09/05/2000	09/06/2000	5
Total					$ 63,937

c) LSG Reserves and Oil Property Taxes

District	Month Collected	Month Reported	Date Check Written	Date Check Cleared Bank	Amount
County	November 1999 to August 2000	July 2000	09/05/2000	09/15/2000	$ 174
State	November 1999 to August 2000	July 2000	09/05/2000	09/13/2000	692

STATE LAWS AND REGULATIONS (Continued)

5) The Sheriff Should Distribute Tax Collections By The Tenth Of Month (Continued)

c) LSG Reserves and Oil Property Taxes (Continued)

District	Month Collected	Month Reported	Date Check Written	Date Check Cleared Bank	Amount
Common School	November 1999 to August 2000	July 2000	09/05/2000	09/06/2000	$ 1,894
Library	November 1999 to August 2000	July 2000	09/05/2000	09/11/2000	87
Health	November 1999 to August 2000	July 2000	09/05/2000	09/11/2000	94
Extension Service	November 1999 to August 2000	July 2000	09/05/2000	09/05/2000	84
Soil Conservation	November 1999 to August 2000	July 2000	09/05/2000	09/06/2000	60
Total					$ 3,085

We recommend the Sheriff comply with KRS 134.300 which requires the reporting and distribution of each month's collections by the tenth of the following month.

Sheriff's Response:

None.

6) The Sheriff Should Distribute Interest Earned On Tax Collections Monthly

KRS 134.140(3)(b) requires the Sheriff to pay monthly ". . . that part of investment earnings for the month which is attributable to the investment of school taxes." The Sheriff should distribute the investment earnings at the same time as the monthly tax collections. KRS 134.140(3)(d) requires the remaining monthly interest to be transferred to the Sheriff's fee account. During 1999 tax collections, Sheriff Riddle earned interest of $2,142 on his tax account. However, Sheriff Riddle did not pay the interest to the board of education or the fee account on a monthly basis. As of August 19, 2000, Sheriff Riddle owes the Clinton County Board of Education $104 and the fee account $941. We recommend the Sheriff comply with KRS 134.140(3)(b) & (d) by paying the amount of interest due to the school and fee account on a monthly basis.

Sheriff's Response:

None.

STATE LAWS AND REGULATIONS (Continued)

7) The Sheriff Should Deposit Funds Intact On A Daily Basis

Technical Audit Bulletin 93-002, Section 3 requires the Sheriff to deposit funds intact on a daily basis. In addition, Technical Audit Bulletin 93-002, Section 4 requires the Sheriff to reconcile daily collections to daily deposits. During 1999 tax collections, computerized tax collection reports were not printed on a daily basis. Tax collection reports included anywhere from a couple of days to eighteen days. In addition, the cash drawer is not reconciled to the tax collection reports. While deposits could be traced to tax collection reports, deposits do not appear to be made intact daily for the following reasons.

a) Deposits for regular tax collections included checks of oil property tax collections and overpayments of taxes. When reconciling daily collections to daily deposits, oil property tax collections and overpayments of taxes were not included as daily collections. As a result, regular tax collection deposits appear to have been shorted cash of $5,953. This shortage of cash occurred because checks of $5,024 of oil property tax collections were included as part of regular tax collection deposits. The additional $929 shortage of cash occurred because overpayments made by check are deposited as part of regular tax collection deposits. Cash of $4,508 was deposited to cover part of the oil property tax collections. Therefore, the amount of explained undeposited receipts is $1,445.

b) Regular tax collections of $241,528 were not deposited in a timely manner. These deposits took four to twenty-one business days to clear the bank.

c) Deposits of oil property tax collections of $1,139 took six days to clear the bank.

d) Deposits of franchise tax collections of $41,130 took ten days to eleven months to clear the bank.

We recommend the Sheriff print daily tax collection reports, deposit receipts intact daily, and reconcile daily tax collection reports to daily deposits and the cash drawer.

Sheriff's Response:

None.

8) The Sheriff Should Prepare Tax Settlement By September 1

Sheriff Riddle should make his tax settlement with the fiscal court by September 1 each year as required by KRS 134.310. KRS 134.310 states "the report of the state and local settlement shall be filed in the county clerk's office and approved by the County Judge/Executive no later than September 1 of each year." We recommend the Sheriff comply with this statute.

Sheriff's Response:

None.

STATE LAWS AND REGULATIONS (Continued)

9) The Sheriff Should Publish Settlement

KRS 134.310(2) requires the publishment of Sheriff's settlement. The settlement should be published pursuant to KRS Chapter 424. We recommend the Sheriff publish his settlement in the future.

Sheriff's Response:

None.

10) The Sheriff Should Pay Advertising Costs To The Fiscal Court

KRS 134.440 requires that advertising costs recovered from the taxpayers be paid to the fiscal court when the fiscal court has previously paid this expense. Sheriff Riddle collected $354 in advertising costs from taxpayers during 1999 tax year. We recommend the Sheriff pay this $354 to the County Treasurer.

Sheriff's Response:

None.

11) The Sheriff Should Transfer Any Delinquent Franchise Tax Bills To County Clerk

KRS 136.050 requires the Sheriff to transfer any delinquent franchise tax bills to the county clerk after the tax sale and settlement. We recommend the Sheriff transfer any delinquent tax bills to the county clerk after the tax sale and settlement are completed.

Sheriff's Response:

None.

INTERNAL CONTROL - REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES

12) Lack Of Segregation Of Duties Is A Reportable Condition And A Material Weakness

We recognize the extent of segregation of duties is a judgment established by management. We also recognize this judgment is affected by certain circumstances beyond the elected official's control such as functions prescribed by statutes and regulations, and by budgetary constraints. Due to limited staff, a proper segregation of duties may be impossible. However, the lack of adequate segregation of duties is hereby noted as a reportable condition pursuant to professional auditing standards. We believe this reportable condition as described above is a material weakness.

Sheriff's Response:

None.

INTERNAL CONTROL - REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES (Continued)

13) The Sheriff Should Improve Recordkeeping Procedures

Several areas were noted where the Sheriff had poor recordkeeping procedures. These conditions are hereby noted as reportable conditions pursuant to professional auditing standards. We believe these reportable conditions as described below are material weaknesses.

a) Processing of franchise tax collections should be improved. Payments for franchise tax bills are held for months before being deposited to the official bank account. Also franchise tax bills are marked paid months after actual collection. In addition, franchise tax bills are marked paid that have not been collected. Franchise tax bills should be marked paid upon collection. The payment should be deposited within three business days to the official bank account and recorded on the receipts ledger.

b) Discounts and penalties on all oil property tax bills were not reported. All discounts credited and penalties collected should be included on monthly tax reports.

c) Receipts in the amount of $3,917 for 10% Sheriff Fee were deposited directly to 1999 fee account. All money collected for tax collections and related fees should be deposited to the tax account.

d) Reconciliation of monthly tax collection to the monthly tax distribution was not always performed. By reconciling these amounts the Sheriff could ensure that all tax collected had been reported and paid to the taxing districts.

e) Tax commissions paid to the Sheriff by the board of education are being deposited directly to the fee account. Tax commissions received from the board of education should be deposited into the tax account by separate deposit, and then a check should be written to the Sheriff's Fee Account for total tax commissions.

f) A list of returned checks was not maintained. A list of returned checks noting the date of redeposit should be maintained. In addition, redeposits of returned checks should be made as separate deposits. The deposit slip should be marked as a redeposit of a returned check and the name of the party should be listed. Any uncollected returned checks should result in the corresponding tax bill being included on the delinquent tax list. The uncollected returned checks of $700 have been included in the deficit in comment number one, because the auditor was unable to determine for certain if these returned checks were uncollected.

Sheriff's Response:

None.

INTERNAL CONTROL - REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES (Continued)

14) Other Reportable Conditions And Material Weaknesses

Failure to deposit receipts intact daily as referred to in comment one, failure to settle 1998 taxes and 1997 taxes as referred to in comment two, overpayment of tax commissions as referred to in comment three, failure to pay gross tax collections to board of education as referred to in comment four, failure to distribute money by tenth of month as referred to in comment five, failure to distribute interest earned monthly as referred to in comment six, and failure to deposit funds intact on a daily basis as referred to in comment seven as described above in section for state laws and regulations, are hereby noted as reportable conditions pursuant to professional auditing standards. We believe these reportable conditions as described above are material weaknesses.

Sheriff's Response:

None.

15) County Clerk Prepared Amended Franchise Bill

During 1999 tax year, a franchise tax bill was prepared in error. The amount of tax for the extension district was miscalculated on one tax bill. This error resulted in the overcharging of one company. After being informed of the mistake, the Clinton County Clerk prepared an amended franchise bill. The Clinton County Clerk delivered this amended franchise bill to the Sheriff's office. The Sheriff should remit a refund for overpayment of franchise tax to this company. The Clinton County Sheriff's Settlement - 1999 Taxes in this audit includes the amount of franchise tax that should have been charged. However, the Schedule Of Excess Of Liabilities Over Assets includes a liability for the amount of the refund due to the company.

PRIOR YEAR:

In the prior year audit report, we made the following comments and recommendations.

- The Sheriff Should Eliminate A Cumulative Deficit Of $5,994 In His Tax Account
- The Sheriff Should Remit $227 To The Kentucky State Treasurer, $7,167 To The Clinton County Fiscal Court, $44,659 To The Clinton County School District, $1,619 To The Library District, $1,869 To The Health District, $1,901 To The Extension District, And $1,355 To The Soil Conservation District Based On 1997 And 1998 Tax Collections
- The Sheriff Should Withhold Correct Commission For Tax Collections
- The Sheriff Should Pay Gross Tax Collection To The Board Of Education
- The Sheriff Should Distribute Tax Collections By The Tenth Of Month
- The Sheriff Should Distribute Interest Earned On Tax Collections Monthly
- The Sheriff Should Reconcile Daily Deposits To Daily Collections
- The Sheriff Should Prepare Tax Settlement By September 1
- The Sheriff Should Pay Advertising Costs To The Fiscal Court

PRIOR YEAR: (Continued)

- Subsequent Events - 1999 Tax Collections Were Not Reported And Distributed Properly
- Lack Of Segregation Of Duties Is A Reportable Condition And A Material Weakness
- The Sheriff Should Improve Recordkeeping Procedures
- Other Reportable Conditions And Material Weaknesses

These findings have not been corrected and have been commented on in the current audit report except as noted below.

- The Sheriff eliminated his cumulative deficit of $5,994 in his tax account by depositing personal funds of $5,994 to his official tax account. However, a deficit of $2,165 exists in his 1999 tax account.
- The Sheriff has remitted $227 to the Kentucky State Treasurer.
- Compliance with reporting and distributing 2000 tax collections properly could not be determined because 2000 Tax Collections had not begun as of October 26, 2000.

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

Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
Kevin Flanery, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Charlene King, Clinton County Judge/Executive
Honorable Kay Riddle, Clinton County Sheriff
Members of the Clinton County Fiscal Court

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

We have audited the Clinton County Sheriff's Settlement - 1999 Taxes as of August 19, 2000, and have issued our report thereon dated October 26, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Clinton County Sheriff's Settlement – 1999 Taxes as of August 19, 2000 is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, 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 that are required to be reported under Government Auditing Standards which are described in the accompanying Comments and Recommendations.

- The Sheriff Should Eliminate A $2,165 Deficit In His Tax Account
- The Sheriff Should Close His Tax Accounts By Collecting All Receivables And Paying All Amounts Owed
- The Sheriff Should Withhold Correct Commission For Tax Collections
- The Sheriff Should Pay Gross Tax Collections To The Board Of Education
- The Sheriff Should Distribute Tax Collections By The Tenth Of Month
- The Sheriff Should Distribute Interest Earned On Tax Collections Monthly
- The Sheriff Should Deposit Funds Intact On A Daily Basis
- The Sheriff Should Improve Recordkeeping Procedures

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Clinton County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying comments and recommendations.

- The Sheriff Should Eliminate A $2,165 Deficit In His Tax Account
- The Sheriff Should Close His Tax Accounts By Collecting All Receivables And Paying All Amounts Owed
- The Sheriff Should Withhold Correct Commission For Tax Collections
- The Sheriff Should Pay Gross Tax Collections To The Board Of Education
- The Sheriff Should Distribute Tax Collections By The Tenth Of Month
- The Sheriff Should Distribute Interest Earned On Tax Collections Monthly
- The Sheriff Should Deposit Funds Intact On A Daily Basis
- Lack Of Segregation Of Duties Is A Reportable Condition And A Material Weakness
- The Sheriff Should Improve Recordkeeping Procedures

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the following to be material weaknesses.

- The Sheriff Should Close His Tax Accounts By Collecting All Receivables And Paying All Amounts Owed
- The Sheriff Should Pay Gross Tax Collections To The Board Of Education
- The Sheriff Should Distribute Money By The Tenth Of Month
- The Sheriff Should Deposit Funds Intact On A Daily Basis
- Lack Of Segregation Of Duties Is A Reportable Condition And A Material Weakness
- The Sheriff Should Improve Recordkeeping Procedures

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

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 26, 2000