

\_\_\_\_\_ County  
\_\_\_\_\_, Sheriff  
**AUDIT PROGRAM**  
20\_\_ Taxes

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

**AUDIT GOALS**

This is to be a financial and compliance audit of the transactions, books, and accounts of the Sheriff's settlement of taxes of \_\_\_\_\_ County, Kentucky. This audit is to be conducted pursuant to KRS 43.070, which mandates the Auditor of Public Accounts to ". . .audit annually the books, accounts, and papers of all county clerks and sheriffs." This audit shall be conducted in accordance with Generally Accepted Auditing Standards, Generally Accepted Governmental Auditing Standards, and the APA Audit Guide for Tax Settlements.

**REDACTED**

**SCOPE OF THE AUDIT**

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

**OVERALL AUDIT OBJECTIVES**

The objectives in the audit program are general in nature and are not necessarily related to specific financial statement assertions.

- A. The audit has been properly planned.
- B. Consideration has been given to the audit and reporting requirements of funding sources.
- C. Schedules prepared by government personnel for audit use are clerically accurate.
- D. The governmental unit's accounting records are clerically accurate.
- E. There has been a search for and evaluation of (1) commitments and contingencies, including requests from legal counsel, (2) subsequent events, and (3) related party transactions; and these matters are adequately disclosed or recorded in the financial statements, if appropriate.
- F. Written representations have been obtained from responsible officials and administrators.
- G. Results of audit procedures, including findings and questioned costs, have been evaluated.
- H. Financial statements and schedules are presented in accordance with the regulatory basis of accounting.
- I. The effect on the auditor's report of scope limitations, other auditors, or other matters has been evaluated.
- J. Matters noted during the audit, including findings and questioned costs and reportable conditions in internal control, have been communicated to the appropriate parties.
- K. Staff assistants have been properly supervised. Audit documentation and the resulting financial statements and schedules have been reviewed in accordance with APA policies.
- L. Quality control procedures for independence, integrity, and objectivity, client and engagement acceptance and continuation, personnel management, and

Initial/Date	Reference

engagement performance have been followed.

**IDENTIFICATION CODES**

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

**AUDIT OBJECTIVES FOR ENGAGEMENT PLANNING AND SUPERVISION**

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

**REDACTED**

**Note - Change work paper references as needed throughout binder and update the index.**

**GENERAL PROCEDURES**

Engagement planning and supervision

1. **Engagement Letter.** Contact audit manager two weeks in advance of the beginning of the audit engagement to request the Engagement Letter be sent to the auditee. Auditor should obtain the Engagement Letter from the official and have it signed at the entrance conference. After scanning the Engagement Letter, it can be returned to the official. If the official can't provide the Engagement Letter, contact Lorrie Hawkins, APA, for a copy.
  - a.) Determine if the Sheriff has made final settlement with the fiscal court. Note: If Sheriff has not made settlement with the fiscal court or the state settlement has not been completed, DO NOT begin the audit without contacting manager. (A)
2. **Client Acceptance Form.** Complete the Client Acceptance Form and file in the audit binder.
3. **Independence.** All engagement team members: Consider your independence status. Determine if there are any, personal, external, or organizational impairments to independence. If so, the standard requires the auditor to decline to perform the audit, or if that is not possible, it requires the impairment to be reported in the scope section of the audit report. (GAO para 3.25 & 3.44) Auditors should sign an APA independence statement annually, which is maintained in Frankfort. If you have not completed and signed an independence statement, or it is outdated, please file a copy with the audit documentation and mail the original to the APA office. (B)

	A-01
	A-01a
	Auditor must have an Independence Statement on file with the APA office

**a.) Complete the consideration of independence issues work paper.**

*Consult with auditor in charge concerning any questions about your independence.*

4. Determine if there are reasons why we should delay the start of the audit.  
Reasons could be litigation status or investigations by law enforcement agencies.

5. **Competence.** For audits to be performed in accordance with *Generally Accepted Government Auditing Standards*, the staff assigned to perform an audit must collectively possess adequate professional competence needed to address the audit objectives and perform the work in accordance with GAGAS (GAS 3.69) The audit organization's management should assess skill needs to consider whether it's workforce has the essential skills that match those necessary to perform the particular audit (GAS 3.70)

**REDACTED**

**Note:**

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

6. **Prior Year Documents.** Review prior year audit documentation and audit report. Document significant items that will be helpful in the current audit. Identify all risks of magnitude which are highly likely and summarize on Risk Assessment at Summary at A-18b.

Be sure to document follow-up of prior year comments at the end of the audit. This includes follow up on prior year(s) audit amounts due to and from the sheriff's tax accounts.

Suggested areas to review are: (L,E)

- a. The internal control questionnaire.
- b. Any adjusting and reclassification entries.
- c. The prior year review notes.
- d. The exit conference and audit report presentation.
- e. The governmental audit planning form.
- f. Recommendations to future auditors

**OR**

a. Inquire of the predecessor auditor (audit completed by outside CPA in prior year) regarding matters that you believe will assist you in completing the current audit. (AU-C 510)

**Obtain Sheriff's signature on Predecessor Auditor Inquiry Letter.**

b. Review the predecessor auditor's documentation.

**If there has been a change in auditor from the prior year, discuss audit with preceding AIC or CPA firm [AU-C 510] (A)**

c. **New Audit or Re-Audit.** AU-C Section 510 requires the auditor to read the most recent financial statements and the predecessor auditor's report thereon, if any, for information pertinent to opening balance, disclosures, and consistency in the application of accounting policies. In addition, if the prior-period financial statements were audited by a predecessor auditor, the auditor should request management to authorize the predecessor auditor to (1) allow a review of the predecessor auditor's audit documentation, and (2) respond fully to inquiries made by the auditor.

*Inconsistent application of accounting policies.* If the auditor concludes that the current period's accounting policies are not consistently applied regarding opening balances, the

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APA  
Quality  
Control  
System

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auditor should express a modified opinion or an adverse opinion, as appropriate, on the financial statements.

*Inappropriate application of accounting policies* . If the auditor concludes that a change in accounting policies is not properly accounted for, presented, or disclosed, the auditor should express a modified opinion or an adverse opinion, as appropriate, on the financial statements.

*NOTE: If review of prior year documentation at a CPA firm will require extensive travel (over 75 miles one way), consult with audit manager first. Another auditor may do the review for you. If the prior year audit is not available, contact your manager.*

- 7. **Sheriff's Tax Settlement.** Verify state tax settlements have been completed and obtain a copy for audit documentation: (D) & Reconcile w/draft settlement
  - (a) Normal tax collections.
  - (b) Unmined coal tax collections.
  - (c) Limestone tax collections
  - (d) Oil and gas collections

**REDACTED**

*If considered necessary, obtain an electronic copy of the state settlement from the corresponding Department of Revenue Field Representative.*

Process for determining inclusion of Unmined Coal and Oil and Gas in the Normal Tax Collections Settlement -

- 1) Determine materiality for the tax type (Unmined Coal, Oil & Gas, etc.)
- 2) If **immaterial** >>> the tax type will be included as a line item on the "normal tax settlement" <This is the most frequent method>
- 3) If the tax type is **material** >>> the cut-off date must then be considered -
  - a) If the **same** cut-off date as "normal collections" >>> **include** on the settlement
  - b) If **NOT** the same cut-off date as "normal collections" >>> a **separate report** will be issued for the tax type.

**NOTE: If you determine that a separate report should be issued for Unmined Coal or Oil and Gas contact your Audit Manager to let them know and to get an engagement letter for the additional audit.**

- 8. **Entrance Conference.** Hold and document entrance conference. Discuss the type, scope, and timing the audit with responsible officials or staff and, if applicable, the audit committee of the governing body. Also, discuss adequacy of working space for the audit team, access to client records, and assistance, if any, to be furnished by the client. Obtain a copy of the engagement letter and document in the audit documentation your discussion with the official. (A,E,M)

Consider the following items and any others you feel will have an impact on the audit. Document significant items only.

- a. Disposition of prior year audit comments.
- b. Extent of client assistance to be provided, if any.
- c. Communication of significant laws, regulations, and fiscal court orders that would materially affect the settlement.
- d. Do you have a separate bank account for Unmined Coal?  
For Oil Reserve, Gas Bills?
- e. Discuss any new accounting or auditing standards or developments.

*Practical Consideration – The auditor may wish to request the client to submit a list of depositories and their addresses, including account numbers, account names at each depository, and depository contact person.*

	<p>K-03 K-03a R-01</p> <p>K-03.1</p>
	<p>A-03</p> <p>A-03</p>

- 9. **Specialists & others.** Determine the extent of involvement, if any, of other audit firms, consultants, specialists, or internal auditors. (C)
  - a. If our firm is the principal auditor and another audit firm is involved as the other auditor, inquire about its independence and professional reputation. (See the "Request for Representations from Other Auditor" at COR-207. If the other auditor has made an inquiry of our firm, see the "Principal Auditor's Response to Inquiries from Other Auditor" at COR-206)
  - b. If the work of internal auditors will be used in the engagement, determine that that is used in accordance with the requirements of AU-C 610 *Using the Work of Internal Auditor's*. Document this on the Planning Memo (C)
  - c. If the work of a specialist will be used during the engagement, determine that it is used in accordance with the requirements of AU-C 620, *Using the Work of a Specialist*.

**REDACTED**

- 10. **Fiscal Court Order Review.** Review fiscal court orders for tax rates on all districts. Agree to tax bills. (E,F)
  - a. Verify tax rates with PVA.
  - b. Verify date tax settlements were made for normal and/or other tax types.

*NOTE: All tax rates should be included in the Fiscal Court minutes. If you are unable to find this, please verify the tax rate with the DOR Property Tax Rate Book (at Tab 00). Compare this to a tax bill for agreement. If rates do not agree, auditor will need to contact the district to verify rate. If the rates were not included in the Fiscal Court minutes, auditor will need to exit with the County Judge/Executive to make him/her aware of this responsibility.*

*Per KRS 65A.100, beginning in January 1, 2014, any special purpose governmental entity that adopts a new fee, or increases the rate of an existing fee must report to the Fiscal Court at least 30 days before the new or increased rate is effective. This is for informational purposes only (as the Fiscal Court shall not have the authority to adjust, amend or veto). The Fiscal Court shall include notification of this in their minutes.*

- 11. **Recap.** Recap Sheriff's county settlement and state revenue settlement (if available).

- 12. **Materiality.** Complete materiality worksheet for normal tax collections and any other tax types. Identify material accts on the recap of sheriff's settlement at K-2A (D,I) (*Initial materiality computation will include all tax types >> Unmined Coal, Oil/Gas, etc.*) <see planning Step 4. - materiality will help determine if tax type is included or excluded with the audit of normal tax collections>

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

In performing the audit, the auditor is concerned with matters that, either individually or in the aggregate, could be material to the financial statement. The objective of the auditor is to evaluate the effect of:

- a) identified misstatements on the audit and
- b) uncorrected misstatements, if any, on the financial statement (AU-C 450.03)

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	<b>K-02a</b>
	<b>A-13</b>

**ADDITIONAL GUIDANCE:**

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

13. **Preliminary Analytical Procedures.** Complete Preliminary Analytical Review Worksheet to help determine the nature, timing, and extent of other auditing procedures. (G)  
**If there is a separate UMC settlement, complete Preliminary Analytical Review Worksheet for UMC also.**  
 Identify all risks of magnitude which are highly likely and summarize on Risk Assessment at Summary at A-18b.  
**NOTE:** Guidance for full-year to part-year comparison options is included on A-14

**REDACTED**

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

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

**b.) Service Organization:**

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

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

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following sources:

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

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

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

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

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

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

**REDACTED**

**c) Document Internal Controls**

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

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

**NOTE:** Key controls must be documented.

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

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

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

**e) Review the log of data breach notifications at:** H:\Cybersecurity Notification Log  
Use this review to determine if there is a risk associated with data breach for this office.

**f) Fraud Risk Assessment.** Document the governmental unit's fraud risk, including the risk of material misstatement due to fraud, by completing the Fraud Risk Assessment Form and Inherent Risk Factors. Use the Fraud Interview Outline to document interviews. If information concerning a possible illegal act (AU-C 250) or

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fraud (AU-C 240) came to the auditor's attention during the performance of this audit, as well as the identification of any fraud risk factors, discuss with Audit Manager. The AIC should then obtain an understanding of the nature of the act, the circumstances in which it occurred and sufficient other information to evaluate the effect on the financial statements.

Identify all risks of magnitude which are highly likely and summarize on Risk Assessment at Summary at A-18b.

- g) Review the **Qualifications Checklist** to familiarize yourself with the issues to look for during testing. This checklist should be completed after testing.
- h) Review the list of possible internal control deficiencies listed in Examples of Internal Control Deficiencies to familiarize yourself with the issues to look for during the course of the audit.

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**14. Brainstorming (Team Discussions)**

(AU-C 315.A14) Hold brainstorming fraud and risk discussion.

Identify all risks of magnitude which are highly likely and summarize on Risk Assessment Summary at A-18b and the Fraud Risk Assessment at A-15. AU-C Section 240 indicates that this discussion should include an exchange of ideas or brainstorming about (1) how and where the entity's financial statements might be susceptible to material misstatements due to fraud, (2) how management could perpetrate and conceal fraudulent financial reporting, and (3) how assets of the entity could be misappropriated. This discussion should set aside beliefs about the honesty and integrity of the entity's management and those changed with governance.

*Document follow-up meeting at completion of fieldwork.*

**15. Complete Risk Assessment Summary and Test Plan**

**16. Tests of Controls.** If you have decided to test internal controls, complete <A-19>.

**Note:** Tests of controls are required in the following instance: If substantive procedures alone are not effective to reduce risk to an acceptably low level, typically in highly automated processing environments in which a significant amount of information is initiated, authorized, recorded, processed, or reported electronically.

**17. Substantive Tests.** To plan substantive tests to be performed once control risk is assessed and/or internal controls are tested, complete substantive testing work papers.

**18. Complete the Audit Planning Memo.** Use the information developed concerning materiality levels, the internal control and the related assessments of control risk, the results of analytical procedures, and the evaluation of other factors impacting the audit risk to plan the following and document in memo form: (L)

- a) The extent of supervision and staffing requirements.
- b) The overall strategy for the conduct and scope of the audit.
- c) The nature, timing and extent of substantive tests.
- d) Overall evaluation of audit risk.
- e) Document conclusions in the planning document and revise time budget, if necessary.

**19. Related Party Transactions -** Due to the nature of the STS operations, the risk of related party transactions are low, however, if there are related party transactions, evaluate

	A-17
	Z-13
	A-16
	A-18b
	A-19
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	A-06



them and determine the need to disclose.

Are there any Related Party Transactions to disclose? Yes \_\_\_\_\_ No \_\_\_\_\_  
If yes, document your evaluation in the audit documentation.

20. **DISCLOSURES** - Complete the disclosures work paper to document disclosures determined to be significant in this audit. This document should be updated periodically during the audit as additional disclosures are determined to be necessary. Review the document during completion to ensure all disclosures have been made in the report.

21. **Time Budget.** In-charge auditor will prepare time budget based upon the hours set by manager. If a budget amendment is necessary, the auditor should submit this to the audit manager before the original budget hours are exceeded. The approved request should be placed in the work papers and yellow processing folder.

**REDACTED**

22. **Rep Letter.** Obtain a legal representation letter from the County Attorney. The Sheriff must sign the legal representation letter request. If you cannot obtain a legal representation letter, it is office policy to modify the opinion on the financial statement. Prepare a conclusion based upon the County Attorney's response. (AU-C Section 501).  
*Legal representation letter should be obtained prior to or on end of fieldwork date. If the legal representation letter is dated more than two weeks before the end of fieldwork date, auditor should follow up to determine if any changes have occurred since the response was received.*

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

**CONCLUSION**

We have performed procedures sufficient to achieve the audit planning objectives, and the results of these procedures are adequately presented in the accompanying audit documentation. (If you are unable to conclude that the audit has been properly planned and the office's quality control procedures have been followed, prepare a memo documenting your reasons.

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	Z-15
	Z-04
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**REVENUE AND CHARGES**

1. Obtain "Certification of Equalized Assessment" and "Sheriff's Official Receipt" (signed copy) from the Sheriff, County Clerk and/or PVA. If there are multiple school districts, obtain "County Clerk's Recapitulation of Property Tax Roll" which summarizes real estate assessments for each school district. Consider asking Sheriff if he is collecting any taxes not included on the official receipt (i.e. fire dues).(C/D)
2. Recap taxing districts and tax rates for use in computing amounts appearing on Draft Settlement. Taxing districts and tax rates can be obtained from the PVA or County Clerk. (C,D)
3. Compute property taxes using assessments from the "Certification of Equalized Assessment" and tax rates approved by the State, Fiscal Court, and School Board(s). (C,/D)

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	R-03a
	R-03b
	R-03c

4. Determine the adjustment to the official receipt by comparing total computed property tax with the Sheriff's official receipt for property tax bills. (obtain copy including page 2 with Sheriff's signature and date tax bills are signed for) Determine that the adjustment is reasonable. If the adjustment for all districts combined is greater than tolerable misstatement calculated on w/p A-13, then obtain either amended Certification of Equalized Assessment or PVA's updated tax roll and attempt to explain the variance. If variance can be explained, use amended certification or PVA tax roll. If variance cannot be explained or if the official receipt is incorrect, contact AIC or Audit Manager. (C,/D,/J)
5. Obtain bank franchise listing and determine the amount collected. Verify this is included on the Sheriff's settlement (under County - to be turned over to the Fiscal Court). If bank franchises are not included on the Sheriff's settlement, verify that Fiscal Court is receiving the payments directly from the bank.
6. Obtain current and prior year(s) Distilled Spirits Certifications from the County Clerk. It may only be necessary to use listing provided to APA by the Department of Revenue - depending upon the difficulty of reconciling computed amounts to amounts shown on Sheriff's Settlement(s). Ensure that all certifications are accounted for. (C,/D)
  - a. Calculate current year Distilled Spirits taxes using these assessments and the appropriate current year tax rates.
  - b. Calculate prior year(s) Distilled Spirits taxes using these assessments and the appropriate tax rates for each of the applicable prior tax years.

**NOTE: Distilled Spirits are eligible for the 2% Discount in some circumstances - see guidance at R-04a**
7. Recap Monthly Tax Reports to taxing districts. (C,/D)
8. Obtain the Sheriff's List of Court Orders Correcting Erroneous Assessments. Compute total assessment increases. Note: Include in audit documentation a copy of page with total assessment of Sheriff's List of Court Orders Correcting Erroneous Assessments. (C,/D)
9. Complete Material Accounts Analytical Review for Revenues and Charges as the required substantive test.
10. **Other Charges:** Detail other charges; consider additional audit testing if these amounts do not appear reasonable in relation to prior years. (C,/D)
11. Examine Risk Assessment Summary to determine if further testing is needed. One suggested further test would include agreeing the Sheriff's list to the original court order correcting erroneous assessments. If further testing is necessary, complete substantive work paper to determine the extent of substantive testing and, if necessary your sample plan and evaluation form. (C,/D,/G)
12. **Prepare all exit and/or report comments applicable to this section. Document this on RCW/RNI form.**

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**EXPENDITURES AND CREDITS**

1. Obtain the Sheriff's List of Court Orders Correcting Erroneous Assessments. ("Exonerations") Compute total assessment decreases. Note: Include in audit documentation a copy of the page with total assessments (at a minimum) of

	R-01, R-02
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	R-13
	R-08
	R-06 K-06
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	R-05, R-07 R-09, R-10, R-11
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	E-01 K-06

Sheriff's List of Court Orders Correcting Erroneous Assessments. (C,/D)

2. Obtain the Sheriff's list of Delinquents. Compute the delinquent Real Estate, Tangible Personal Property, and any other delinquents on the list.  
 Note: Include in audit documentation a copy of the page with total assessments (at a minimum) of Sheriff's List of Delinquents. (C,/D)

3. Complete Material Accounts Analytical Review for Expenditures and Credits as a component of substantive testing.

4. Examine Risk Assessment Summary to determine if further testing is needed. *(If no significant risks were identified and the material accounts analytical review was within acceptable range, additional testing is not required unless deemed necessary by the auditor.)*

Suggested further procedures:

**REDACTED**

**Exoneration Decrease:** Agree a sample from the Sheriff's list to the original court order correcting erroneous assessments. If further testing is necessary, complete <A-22> to determine the extent of substantive testing and if necessary, your sample plan and evaluation form (C, D, G)

**Delinquent tax:** Compare a sample of bills from Sheriff's list to the actual tax bills. Complete <A-22> to determine the extent of substantive testing and determine your sampling plan and to evaluate the results. Review each delinquent bill selected from the Sheriff's listing and agree to the actual tax bills. Determine if tax bills were delinquent as of the audit date. If paid as of audit date, bill will be noted as an exception and may require the auditor to expand their testing. (C,/D,/G)

**Discounts:** Test the reasonableness of discounts. **(If material)** (C, D)

**Other Credits:** Detail other credits; consider additional audit testing if these amounts do not appear reasonable in relation to prior years. (C,D)

**Refunds:**

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

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

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

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

**In Lieu of Taxes**

NOTE: In Lieu of Taxes should NOT (in most cases) be included as a charge

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	K-07
	E-05
	E-06  E-06a

or credit in a Sheriff's Tax Settlement. If the Sheriff collects "In Lieu of Taxes" and "retains commissions - include "In Lieu of Taxes" on the Draft. The "In Lieu of Taxes" agreements can be written in a manner that allows the Sheriff to collect these payments and retain commissions. In these instances, the Sheriff handles these payments like all other taxes - so we will include them on the Draft in these specific instances.

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

**FRANCHISE TAX**

**REDACTED**

**NOTE ON UNBILLED FRANCHISES:**

We want to track franchise taxes unbilled\*, however, these amounts may not be placed on the Settlement unless the unbilled franchises are significant. If the auditor finds that franchise bills listed on the State Certification of Equalized Assessments List have not been billed, or have been billed but are being held by the Clerk and therefore have not been submitted to the Sheriff for collection, contact your manager and the Division Director immediately.

Franchise Tax Audit Steps –

1. Obtain the Department of Revenue listing of State Certification of Equalized Assessments List from the APA. You should obtain the DOR list for both the current period and prior periods. Prior periods should be included in the prior year work papers. Auditors should make every attempt to account for uncollected prior year franchise bills.

2. Obtain franchise tax information from the Sheriff for the year of the audit.

\* The current franchise taxes included on the settlement should include only those assessments prepared between the prior "as of" date and the current "as of" date. Any tax amount under \$10 can be ignored, as the County Clerk is not required to prepare a tax bill for those. However, some County Clerks may prepare these bills and they would be included in your reconciliation. The Sheriff should have a schedule of franchise tax collections that is used to report the amounts on the monthly tax reports. The Sheriff should also have copies of all paid and unpaid franchise tax bills that have been received.

\* The Sheriff will collect prior year franchise taxes during the audit period and these should be included on the settlement if these were collected during the year of audit. (Prior & Current Year Franchise Taxes will be combined on the F/S and presented as "Franchise Taxes")

\* The Sheriff may have turned over delinquent franchise tax bills to the County Clerk's office. If so, you will need to account for these bills. You should sample these bills to make sure the County Clerk's office actually received them.

3. Compare the Sheriff's information to the current DOR listing obtained from APA and the prior DOR list that should be included in the prior year work papers. We suggest that you copy the current DOR listing and prior DOR listing into a blank Excel work sheet and insert a column so that you could classify each assessment or company. This will allow you to sort the information and add totals for assessments. *As always, it is the auditor's*

	E-10
	K-04 R-04
	K-02 K-04 R-04

option to prepare this work paper electronically or simply print the DOR listing and to use their own tick mark legend to account for all listed certifications. The list should have the following classifications:

- \* Current year franchise taxes collected.
- \* Prior year franchise taxes collected.
- \* Delinquent current year franchise taxes.
- \* Uncollected current year franchise taxes.
- \* Delinquent prior year franchise taxes. These bills will be included on the Settlement only if they included in current year charges. (Prior Year Uncollected)  
*If the Sheriff has delinquent franchise tax bills from prior periods - they should be turned over to the County Clerk with delinquents in the current year.*
- \* Unbilled Franchises. There may be rare instances where these bills are actually reflected on the Sheriff's Settlement.

**REDACTED**

Follow up on unpaid bills or unbilled franchise tax certifications. The unpaid bills may have been paid subsequent to the tax sale. If a certification listed on the DOR listing has not been billed, you will then need to follow up with the County Clerk's office. Did the County Clerk's office receive the certification? Has a bill been recently prepared? If there are unresolved problems contact your manager for further instructions.

4. At this point you should have determined total franchise tax bills received by the Sheriff's office during the tax collection period. This will include franchise bills for the current year , prior years' bills, and any 'uncollected bills' from prior periods collected during the year of audit.

The franchise tax assessments are listed on DOR listings so you should sort the Excel work sheet by tax year, paid, unpaid and unbilled. You will want to total the assessments for each of the different categories discussed above. During this recap you should pay particular attention to the assessment year and type of certification. Certifications will have been issued for any number of tax years and they will include railroad certifications in most counties. You may want to complete a separate recap for this.

**NOTE:** Be sure to use the appropriate multiplier, which applies to both *Real and Tangible Property* for intrastate railroads, designated (RRI) on the certification and to *tangible only* for airlines (A, AF, AK) and interstate railroads (RR). (KRS 136.180(2) and Revenue Form 61A255)

**NOTE: Distilled Spirits and Telecommunications are eligible for the 2% Discount in some circumstances - see guidance at R-04a**

5. Upon completion of your recap, you will need the corresponding tax rates for all years represented in the recap and the total assessment for each category. Tax rates for all years can be obtained from the County Clerk or Property Valuation Administrator.
6. Using the Draft Settlement workbook (tabs Billed Franchise, Delinquent Franchise, and Uncollected Franchise) fill in the appropriate tax rates and assessments. Totals for charges and credits will carry forward to the tab titled Draft Settlement.  
*NOTE: Unbilled Franchises will be included only if instructed by your manager.*
7. Compare the net amount collected per the Draft Settlement to the amount

	K-04
	R-04
	R-04
	R-01

reported on the monthly tax reports for each taxing district. If the amounts compare reasonably, you may accept the Sheriff's numbers. If the amounts do not appear reasonable, then you will need to do additional work. Errors could have been made by the County Clerk in preparing the bill.

\* The difference between a "delinquent" franchise tax and an "uncollected" franchise tax depends on whether the 30-day rule, to consider it delinquent, has lapsed for purposes of advertising the tax bill and subsequently turning it over to the County Clerk. APA Policy 20 - Franchise Tax Policy specifically states if the taxpayer has not had at least 30 days to pay the franchise tax bill between the date the tax bill was sent and the date of the first advertisement, the Sheriff should keep the franchise tax bill and include it in the next year's settlement. The Sheriff will calculate penalties and interest on the tax bill as usual. The Sheriff may actually hold a franchise tax bill for several months before turning it over to the Clerk as delinquent.

# REDACTED

NOTE: The Sheriff should assess penalties and interest on franchise tax collections when applicable. If the Sheriff collected franchise taxes and did not assess penalty and interest when applicable we will include the applicable penalty and interest on the settlement and include an audit report comment.

The Sheriff is required to submit franchise tax collections each month to the taxing districts. This could cause a cut-off problem if you use the Sheriff's Sale or the as of date in reporting franchise collections. For example, April 16th could be the as of date, but the Sheriff collected franchise from April 18th through April 30th. The Sheriff distributed the franchise tax collections for the month of April. In this case, use the cut-off of April 30th, to report the franchise taxes, so that the revenues and distributions will match the checks that were written.

*\* If problems are noted with franchise tax bills (i.e. franchise tax bills are not being prepared or bills are being prepared incorrectly) contact your audit manager so that this may be addressed in the county clerk's audit. For those bills that have been prepared incorrectly, maintain a list to be given to the county clerk at the completion of the audit. Future action may need to be taken by the county clerk to address these problems.*

## COMMISSION AND RECONCILIATION

- 1 Compute Sheriff's commission on taxes. (C,/D)
- 2 Reconcile net taxes due per auditor's rough draft to the Sheriff's prepared settlement and state settlement. (C,/D)

## CONCLUSION

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

CASH  
Audit Objectives:

	R-04d
	R-04c
	R-01
	R-01 K-02, K-03 R-01b

- A. Existence or Occurrence: Cash as reflected in the financial statements (deficit statement) is on hand, in transit, or on deposit with third parties (depositories/other governmental agencies) in the name of the County Sheriff.
- B. Completeness: All cash of the County Sheriff's office is included in the financial statements (deficit balance).
- C. Rights and Obligations: Conditions or agreements that limit the County Sheriff's rights to or obligations concerning cash are properly reflected in the financial statements.
- D. Valuation or Allocation: Cash balances per the County Sheriff's financial records reflect a proper cutoff of receipts and disbursements and are stated at the correct amount.
- E. Presentation and Disclosure: Cash balances are properly presented (deficit statement), and related disclosures are adequate.
- F. To prepare bank reconciliation or a proof of cash and reconcile to receipts and disbursements ledgers, and to audited financial statements.
- G. Depositories are legally acceptable and separate depository accounts are maintained as required.

**REDACTED**

**Cash Audit Procedures:**

1. Confirm tax account bank balance as of end of tax year. Also obtain information on any escrow accounts the Sheriff may have. Escrow account information will need to be disclosed in the notes to the financial statement.  
**Should be as of the date turned over to Clerk (April 15).** (A,B,C)  
*Note: If you use the confirmation.com service or any service that requires payment from the APA, notify Tim Gutman with the details ASAP.*

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

2. Have the Sheriff provide a list of bank accounts. This should include any escrow and "off the books" accounts, plus any other accounts normally included in the audit. Have the Sheriff sign the list and scan into the audit binder.

3. Prepare proof of cash for Sheriff's tax account for the tax year. **Should be as of the date turned over to Clerk (April 15)**
  - (a) Prepare schedule of deposits in transit. (D,E,F) Investigate significant deposits after sale date.
  - (b) Prepare a schedule of receivables (D,E,F)
  - (c) Prepare schedule of outstanding checks. (D,E,F)
  - (d) Prepare schedule of outstanding liabilities. (D,E,F)
  - (e) Reconcile net tax collected and taxes paid per sheriff's settlement to the proof of cash. (D,E,F)

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

	C-01
	C-02
	C-00 C-04 C-04A C-05 C-06 C-00, R-01
	C-00

5. Prepare a determination of fund balance. (G)  
 If the deficit is \$1200 or more, a Schedule of Excess of Liabilities Over Assets will be included in the audit report. Each year will stand alone; we will not combine multiple years on one schedule. See Policy # 42 Deficit Statement Policy for additional details.  
**NOTE:** The determination of fund balance should be presented to the Sheriff at the exit conference. The auditor should explain what the Sheriff is expected to do based upon the determination (what he/she is expected to collect or disburse). The auditor should also explain that next year's auditor will be following-up on the determination to ensure all amounts owed and due have been properly handled.

6. Test the Sheriff's 10% add-on fees for reasonableness  
 a. Calculate 10% add-on fees by adding gross collections and 10% penalty (on taxes) together and multiplying this amount by 10%. (This same result can be obtained by multiplying gross collections by 11%). Compare this computed amount to the amount recorded by Sheriff and paid to the fee account.  
 Investigate significant differences.

**REDACTED**

7. Determine whether returned checks have been collected and redeposited into the tax account. Letters should be sent to taxpayers informing them that their check was returned and that their bill is unpaid. Bills should be marked paid as of the date the taxpayer ultimately repays the bill, not the date of the original check. Recap uncollected returned checks and verify that the associated tax bills have been marked unpaid, included on the Sheriff's Delinquent List and turned over to the County Clerk for collection. (D,E,F)

8. Recap cancelled checks for tax payments to each tax district and Sheriff's fee account. Inspect back of checks for endorsements. The actual checks may not be available for inspection. If backs of checks are provided in imaged form, use those. If only the fronts are available in imaged form, you should request a sample from the bank. (D,E,F)  
 a. Compare checks to amounts listed on the recap of monthly tax reports.  
 Note and attempt to resolve any discrepancies.

9. Agree total tax and commission payments with proof of cash.  
 Contact AIC or Manager if there is a significant, unexplained difference. (D,E,F)

10. Reconcile total tax payments per districts to draft settlement. (F)  
*Note: If immaterial amounts are due to and due from districts that result in small balances that would be escrowed, please consult with your manager on how to account for these.*

11. Reconcile tax commissions per audit with commissions paid to the fee account. Consider school tax commissions that are deposited directly into the Sheriff's fee account. Explain any material differences. (F)

12. Determine if the amount of interest paid the school board is reasonable and on a monthly basis. Commissions on School interest should be paid to all school districts (including graded schools), and then refunded to the Sheriff in the same way as other commissions. (Compliance Testing)

13. Randomly select daily collection reports or daily checkout sheets for one week. Include a copy of the of the selected reports or check out sheets in the audit. Determine the Sheriff maintained his copies of the tax bills or daily listing of tax bills collected for the test period. **(NOTE: Actual hard copies of the tax bills are not**

	C-07
	C-12
	C-03
	C-08
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	C-08, C-00
	R-01, R-08
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	C-11
	C-13



**required if the daily collection report is maintained with the daily deposit work and tax software allows Sheriff to print corresponding tax bills if needed)**  
 Trace daily collection reports to deposit tickets. Determine that deposits are made intact by verifying cash and checks per daily checkout agree to cash and checks as listed on the deposit ticket. Determine if cash refunds were issued when a check was used for payment. This could cause the deposit to not be intact. Determine that receipts for test period were deposited in a timely manner. (Compliance Testing)

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

Surprise cash count

Expand testing of daily checkout sheets.

**REDACTED**

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

**CONCLUSION**

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

**INVESTMENTS AND DEPOSITS**

**Audit Objectives:**

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

**Audit Procedures: (For all tax accounts)**

- 1. Verify that all investments and interest bearing bank account revenues were included as interest earned. (B,C,D,E)
- 2. Compare copies of all collateral agreements the sheriff has with depositories and determine how much FDIC insurance coverage the official has. (The analysis should include tax and fee accounts in aggregate if at they are at the same depository institution.) (A,E)

	A-18b
	C-14
	C-03, C-11
	C-09

- 3. Confirm pledge of securities with depositories as of the settlement date and the month with the highest balance. If repurchase agreements exist: (A-F)
  - a) Review terms of repurchase agreements. Terms should include the type and coupon rate of collateral and the repurchase date and price. Review the master agreement and place a copy in the audit documentation.

- 4. Include a copy of the written securities agreement in audit documentation. (A-F)

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

**REDACTED**

Practical Consideration:

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

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

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

**CONCLUSION**

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

**FRAUD AND ABUSE**

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

**CONSULTATION**

	C-10A
	C-10B



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

**COMPLIANCE**

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

**REDACTED**

1. Complete **compliance checklist**.
2. Examine and verify **Sheriff's county revenue bond**. Determine if bond coverage appears reasonable. If bond is insufficient, notify County Judge.
3. **Publication**. Verify the official has published a copy of the prior year audit report as required by KRS 91A.040 (6). KRS 424.220(8) now requires officials to satisfy the requirements of KRS 91A.040(6) which in turn requires officials to publish their audit report. Publication should include applicable portions of required information for tax audits. Per APA policy, this will be an exit comment only.
4. **Prepare all exit and/or report comments applicable to this section. Document at this on RCW/RNI form.**

**COMPLETION**

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

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

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

2. **Deficit**. Ascertain whether any deficit reported in the current audit has been paid in whole or in part. The auditor must verify by reference to bank records that deficits have been reduced and from appropriate sources.
3. **Comparison**. Prepare Comparison of State and County Sheriff's Settlement to Draft Settlement to document adjustments to Sheriff's Settlement. Attach to closing entry. Present proposed adjustments to Sheriff. Sheriff must sign this form

	K-01
	Z-08
	K-02b
	K-08
	Z-00
	C-07
	Z-09 R-01b

**If material audit adjustments are required, please include a comment in the exit conference and/or the report.**

**Materiality Considerations**

Based on the audit results and any audit adjustments determine if materiality calculated during planning needs to be adjusted in order to determine whether uncorrected misstatements are material to the financial statements as a whole. Based on auditor's judgment does materiality need to be recalculated. Yes or No? If yes, recalculate and then reevaluate the appropriateness of the nature, timing and extent of further audit procedures.

**REDACTED**

**4. Summary of Financial Statement Misstatements**

Prepare a schedule summarizing all known error results from sampling applications and all uncorrected known errors from non-sampling applications. Document the nature and effect to aggregated misstatements, and conclude as to whether the aggregated misstatements cause the financial statements to be materially misstated.

**5. Independence.** Review and update the auditor's Consideration of Independence Issues form

All audit team members should be listed on this form to document their consideration of independence for this engagement.

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

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

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

**9. Complete the Qualifications Checklist.**

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

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

**NOTE: Guidance for full-year to part-year comparison options is included on Z-17**

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

**12. Obtain a copy of the Sheriff's Quietus for the tax year being audited.** (If available)

**13. Exit Conference Folder**

a) Compile all RCW/RNI - Finding forms in various audit sections into an "Exit Conference

	A-13
	Z-09
	A-07
	Z-05
	Z-14
	Z-11
	Z-13
	Z-17
	A-02
	K-05
	Z-01 Z-01

Document". The document at Z-13 will serve as a cover letter and a record of the Exit Conference meeting. List all findings in the document and attach the reviewed RCW/RNI-Finding forms to the document for discussion with the official during the meeting. Reference each finding listed in Z-13 to the corresponding RCW/RNI - Finding form. For all comments make sure to include all six elements required by *Government Auditing Standards*. (See guidance in A-50a)

- b) Prepare a Views of Responsible Official and Corrective Action Plan form for each finding. Type the title of each comment into the form.
- c) For noncompliance items, include a copy of the KRS, KAR, federal law, local ordinance, etc. in the M "Compliance" folder in the binder and cross-reference to the RCW/RNI - Finding form.
- d) Schedule exit conference meeting after the Level I reviewer has signed off on the binder, and if applicable, cleared review comments. *Level I reviewer should notify the field auditor when the audit is returned, if review comments need to be cleared before the exit conference.*
- e) Attach copies of the draft financial statements and notes to the exit conference. By signing the exit conference document, the official is acknowledging the financial statement presentation and note disclosures, so there is no need to get signatures on the financial statement itself. Be sure all pages of the financial statement and notes are marked "DRAFT".
- f) Have all attendees sign the signature page of your copy of the exit conference document. Make sure the official has a copy of the signed page as well. Explain the note on the first page that describes the 10 day response period and remind them that the responses will be printed verbatim in the audit report. Make sure first page has specific date for responses to be returned. Explain if they fail to return responses timely, the audit report will read "The official did not respond."
- g) Provide the official a CAP form for each finding and explain that by completing this form, their response for each finding will be recorded. Give the official a copy of the "Guidance" document for the CAP form.

**REDACTED**

NOTE: Include the determination of fund balance in the exit. If material, or deficit is \$1,200 or more, include in the report.

NOTE: Include a comment (if necessary) recommending the Sheriff escheat any escrowed funds which have been maintained longer than three years. These funds should be escheated to the State Treasury in accordance with KRS 393.020.

14. **Official Rep Letter.** Obtain from the Sheriff a letter of representation dated as of the completion of fieldwork. This should be signed by the elected official or verbal representations confirmed by a third party's signature. Attach a copy of summary of financial statement misstatement.

*Please read any guidance on required representations and add any additional representations necessary for the audit.*

Scan signed representation letter and include original in YPF.

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

Z-01c

K-01a

Z-01e

Z-01f

Z-01a

Z-01b

Z-01c

Z-03

APA Policy-- as stated earlier the Level I Review should be conducted prior to the exit. APA fieldwork date has primarily been the day of the exit conference (field auditor's last day on audit site). Our report date should coincide with the last day on site and the day the official signs the representation letter at the conclusion of the audit. If there are questions regarding your report date, contact your manager for guidance.

**REDACTED**

**15. Audit Opinion Memorandum**

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

- a) An explanation of the scope of the audit.
- b) The audit was conducted in accordance with Governmental Auditing Standards
- c) Disclose the type of opinion being issued and explain why.
- d) Document any differences of opinion between staff as it relates to the audit opinion of the report
- e) Consider whether audit procedures performed to achieve other audit objectives or other general procedures have identified conditions and events that, when considered in the aggregate, indicate there could be substantial doubt about the governmental unit's ability to continue as a going concern for a reasonable period time, not to exceed one year beyond the date of the financial statement being audited. If there is a going concern issue the management representation letter must be amended and an emphasis of matter paragraph must be added to the Independent Auditor's Report. AU-C 570
  - 1. Analytical Procedures
  - 2. Review of Subsequent Events
  - 3. Review of fiscal court orders
  - 4. Legal representation letter
  - 5. Auditor's Judgment

**16. Complete the Going Concern Checklist (if necessary)**

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

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

**18. Resource Materials and Other Information**

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

**19. Field Auditor Level 1 Review**

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

NOTE: A significant portion of level 1 reviews including the AIC's level 1 review must be completed before the exit conference can be conducted. If there are major significant audit comments in the report a review in Frankfort might need to be completed before the exit conference can be conducted. Contact your AIC/Audit Manager.

**20. Recommendations to Future Auditor**

File all recommendations from each audit section for the next year's auditor. Also file

	Z-02
	Z-12
	Z-07
	Z-20
	Z-18

additional recommendations for overall planning and completion as well as significant decisions reached during the audit.

**21. Feedback**

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

**REDACTED**

**22. Documentation of Differences of Opinion**

Determine if there were any differences of professional opinion among members of the engagement team or between the engagement team and a specialist. If so, determine that the differences were properly resolved and documented in the work papers and that the documentation addresses the considerations involved in the resolution.

**23. Yellow Processing Folder**

Prepare documentation for yellow processing folder. Make sure all signed and completed documents included in the yellow processing folder are also scanned into the binder. **If the auditor received any allegations from the TIPS system during the audit please include copies of the allegations and their resolution in the yellow processing folder.**

**24. Work statement, Time Budget, Time Run**

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

NOTE: This Time Run will only include the most recent posting of timesheets, therefore the total on work statements vs. Time Run will most likely not match. Final reconciliation will be completed in Frankfort.

Place copies of work statements, time budget, time run reconciliation and budget amendments in the audit documentation and processing folder. **DO NOT** include copies of timesheets or travel vouchers in audit documentation or processing folder.

Explain why audit cost increased from the prior year and attach to the time budget. These explanations will be submitted to the fiscal court and written in the audit bill from Frankfort for all audit cost increases of 10% or more.

**25. Completion Checklist - Field Auditor**

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

**26. Audit Distribution Memo**

Complete the Audit Distribution Memo and file a copy in the Yellow Processing Folder as the first exhibit in the first pocket (A-00). If the official does not want the audit report e-mailed, include a note on the form.

**26. Electronic Work papers**

Assign all workpapers to Lorrie Hawkins - Create Binder Package

Burn a copy of all electronic workpapers to put in the yellow processing folder. You may want to also keep one for your records.

**CONCLUSION**

We have performed procedures sufficient to achieve the general program audit objectives, and the

	Z-15 Z-16
	Z-22
	Z-19

results of these procedures are adequately documented in the accompanying work papers. (If you are unable to conclude on any objective, prepare a memo documenting your reason).

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**SOI:** Referenced Audit Documentation and Auditors

**REDACTED**