

For Details, Contact:

Terry Sebastian
Phone (502) 573-0050
Fax (502) 573-0067
Blackberry (502) 229-5260
Email terry.sebastian@auditor.ky.gov

Crit Luallen
Auditor of Public Accounts
105 Sea Hero Road, Suite 2
Frankfort, KY 40601

News from State Auditor Crit Luallen’s Office

Audits of former Perry County Sheriff’s tax accounts discover more than \$573,000 in missing funds dating back to 2002

(FRANKFORT, KY – 06-25-08) State Auditor Crit Luallen today released former Perry County Sheriff Dennis Pat Wooton’s 2005 and 2006 tax settlement audits, which led auditors to discover \$573,025 in missing funds dating back to the 2002 tax settlement account of the previous sheriff.

The audits have been referred to the FBI for further action.

The deficit in Wooton’s official bank account “appears to be the result of a scheme to manipulate the accounting records by a former employee of the (former) sheriff’s office,” according to the audit.

Auditors noted that the deficit occurred when unreported corporate franchise tax payments were used to replace undeposited cash taken after Perry County homeowners paid their property tax in cash at the sheriff’s office.

Auditors found that these franchise tax payments were never included on a monthly franchise tax report for distribution to such taxing districts as library, health, agriculture and school. Auditors used deposit records obtained from a local bank to discover how the tax payments were manipulated.

Because of their findings, auditors reviewed Wooton’s tax settlement records dating back to 2002 when he was first elected sheriff and found a total of \$561,488 in missing funds. Auditors found a \$44,379 deficit in 2002, a \$195,985 deficit in 2003, a \$162,727 deficit in 2004, a \$136,658 deficit in 2005 and a \$21,739 deficit in 2006, according to the audit.

Additionally, auditors reviewed the last month of the tax settlement account of Wooton’s predecessor, Les Burgett, and found an additional \$11,537 deficit occurring from the manipulation of franchise tax payments.

“This alleged theft is one of the largest in the history of the State Auditor’s Office. We are appalled at the magnitude of this apparent theft of local tax dollars,” Luallen

For Immediate Release

more

.....

said. “We appreciate the cooperation of the former sheriff as we uncovered this elaborate and technical manipulation of public funds.”

Luallen said her office strengthened its oversight of the reporting and managing of franchise taxes by county sheriffs in 2005 based on concerns in other counties. These new audit procedures helped uncover the Perry County scheme.

She said this case points out why she emphasizes to county fee officials across the state about the need to implement and oversee stronger controls in their offices regarding the handling of cash.

Auditors noted in the 2005 and 2006 audits that the internal control structure of the former Perry County Sheriff’s Office was weak because one individual performed almost all accounting functions. Auditors define this as “inadequate segregation of duties” and suggested in earlier audits that the former sheriff correct this finding.

The audit mentions that the former sheriff should have periodically reviewed and verified employees’ work and provided the necessary oversight of cash collections, reconciliations, reporting and distribution processes.

In the 2004 audit of Wooton’s official account, auditors commented on the office’s lack of oversight and provided the sheriff with specific recommendations to improve bookkeeping procedures. Wooton told auditors at the release of the 2004 audit that he would place his initials on the monthly tax reports.

In the 2005 and 2006 audits, auditors found that the former sheriff allowed an employee to sign his name to checks issued from the tax accounts. “Allowing one individual to be responsible for all phases of transactions significantly increases the risk that incorrect payments and other errors could occur and not be detected in a timely manner,” according to the audit.

In Kentucky, sheriffs are covered by bonds, which may reimburse losses such as those identified in the audits. Auditors recommend that the former sheriff take appropriate action to eliminate this deficit in his official bank account by asking the county attorney to notify the bonding company of the loss and by working with law enforcement officials regarding an investigation.

Wooton said in the audit, “Again let me emphasize my request for law enforcement to investigate (the) handling of franchise taxes during my term as sheriff and to express my appreciation to APA (Auditor of Public Accounts) for reviewing records prior to my assuming office and finding evidence of a history for this scam.”

Wooton's other comments can be viewed in the audits at www.auditor.ky.gov. The Auditor's office today also released the 2005 audit of the former Perry County Sheriff's Unmined Coal Tax Account.