



Auditor of Public Accounts
Mike Harmon

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Harmon Releases Audit of Breathitt County Sheriff's Office

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2014 financial statement of Breathitt County Sheriff Ray Clemons. State law requires the auditor to annually audit the accounts of each county sheriff. In compliance with this law, the auditor issues two sheriff's reports each year: one reporting on the audit of the sheriff's tax account, and the other reporting on the audit of the fee account used to operate the office.

Auditing standards require the auditor's letter to communicate whether the financial statement presents fairly the revenues, expenditures and excess fees of the Breathitt County Sheriff in accordance with accounting principles generally accepted in the United States of America. The sheriff's financial statement did not follow this format. However, the sheriff's financial statement is fairly presented in conformity with the regulatory basis of accounting, which is an acceptable reporting methodology. This reporting methodology is followed for all 120 sheriff audits in Kentucky.

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

The audit contains the following comments:

The sheriff had \$4,375 in disallowed disbursements in his 2009 fee account that remain unpaid. In the prior year audit, it was noted that the sheriff had \$4,375 of disallowed disbursements in his 2009 fee account. The sheriff wrote a check in the amount of \$4,375 to a county employee's mother for an accident involving a volunteer deputy, perpetrator, and her vehicle. Since the perpetrator did not have personal vehicle insurance, the sheriff paid the owner the NADA book value of the totaled vehicle. In Funk vs. Milliken, 317 S.W.2d 499 (KY 1958), Kentucky's highest court reaffirmed the rule that county fee officials' expenditures of public

funds will be allowable only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not personal in nature. This was not a necessary expense in the operation of the sheriff's office and was disallowed. These disallowed disbursements remain unpaid.

KRS 64.820 states “(1) The fiscal court shall collect any amount due the county from county officials as determined by the audit of the official conducted pursuant to KRS 43.070 and 64.810 if the amount can be collected without suit. (2) In the event the fiscal court cannot collect the amount due the county from the county official without suit, the fiscal court shall then direct the county attorney to institute suit for the collection of the amount reported by the Auditor or certified public accountant to be due the county within ninety (90) days from the date of receiving the Auditor's or certified public accountant's report.”

We recommend the sheriff monitor his disbursements to assure that all disbursements are allowable. We recommend the sheriff turn over personal funds of \$4,375 to the fiscal court for repayment of the disallowed disbursement. Also, we will refer this finding to the Breathitt County Attorney.

Sheriff's response: Sheriff will refund said amount from personal funds to satisfy disallowed expenditure.

The sheriff had \$339 in disallowed disbursements in his 2012 fee account that remain unpaid. In the prior year audit, it was noted that the sheriff had \$339 in disallowed disbursements which included \$25 in donations and \$314 in books purchased for students. In Funk vs. Milliken, 317 S.W.2d 499 (KY 1958), Kentucky's highest court reaffirmed the rule that county fee officials' expenditures of public funds will be allowable only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not personal in nature. These were not necessary expenses in the operation of the sheriff's office and were disallowed. These disallowed disbursements remain unpaid.

KRS 64.820 states “(1) The fiscal court shall collect any amount due the county from county officials as determined by the audit of the official conducted pursuant to KRS 43.070 and 64.810 if the amount can be collected without suit. (2) In the event the fiscal court cannot collect the amount due the county from the county official without suit, the fiscal court shall then direct the county attorney to institute suit for the collection of the amount reported by the Auditor or certified public accountant to be due the county within ninety (90) days from the date of receiving the Auditor's or certified public accountant's report.”

We recommend the sheriff monitor his disbursements to assure that all disbursements are allowable. We recommend the sheriff turn over personal funds of \$339 to the fiscal court for repayment of the disallowed disbursements. Also, we will refer this finding to the Breathitt County Attorney.

Sheriff's response: Sheriff will refund said amount from personal funds to satisfy disallowed expenditure.

The sheriff's office lacks adequate segregation of duties. The sheriff's office lacks adequate segregation of duties due to the responsibilities of receiving, recording, depositing, and reconciling cash being delegated to the same individual. The functions of receiving, recording, depositing, and reconciling cash should be separated whenever possible in order to decrease the risk of undetected errors, misstatements, and/or fraud. Since only one person performs these functions, there is no assurance that financial transactions are accurate, complete, and free of errors and/or misstatements. We recommend the sheriff segregate the duties of recording, depositing, and reconciling cash, or implement and document compensating controls to offset this control deficiency.

Examples of compensating controls include:

- The sheriff comparing the daily checkout sheet to the receipts ledger and bank deposit.
- Reviewing bank reconciliations for accuracy.
- Performing surprise cash counts.
- Reviewing invoices prior to payment.
- Reviewing all financial reports.

The sheriff could document his review process by initialing reports and supporting documentation.

Sheriff's response: Sheriff will review and sign off on all receipts, expenditures, and any sensitive materials pertaining to sheriff office daily operations.

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

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

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