



Auditor of Public Accounts  
Mike Harmon

**FOR IMMEDIATE RELEASE**

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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 2016 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 receipts, disbursements, 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 noncompliance 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 has \$4,565 in disallowed disbursements in his 2016 fee account:** The sheriff has \$4,565 in disallowed disbursements for calendar year 2016. The first disallowed disbursement was \$1,500 for the purchase of two computers and an air conditioning unit. Auditors contacted the vendor listed on the invoice, but the vendor had no such transaction or invoice on file. It appears a false invoice was created to support the disbursement. Auditors also noted the cancelled check for this transaction had been altered in the sheriff's files. The cancelled check on file at the bank listed a different payee than the sheriff's files. Due to the discrepancies noted, we were unable to determine the validity of this transaction. The second disallowed disbursement totaled \$200 for

preparing tax bills. No supporting documentation for this disbursement could be located. The third disallowed disbursement totaled \$2,865 for computer repairs. The invoice was dated for 2017 but paid out of the 2016 fee account. Also, a computer that was repaired could not be located and no one has any knowledge of its existence.

The lack of oversight by the sheriff allowed the bookkeeper to purchase items without proper supporting documentation. The sheriff was aware that his office lacked adequate segregation of duties; however, he did not implement compensating controls to address the risk associated with inadequate segregation of duties, or perform sufficient supervisory review to prevent or detect errors, misstatements, and fraud.

Due to lack of proper support and weak internal controls, taxpayer funds have been used for purposes that are not allowable and these amounts must be personally paid back by the sheriff.

In Funk v. Milliken, 317 S.W.2d 499 (Ky. 1958), Kentucky's highest court reaffirmed the rule that county fee officials' disbursements 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.

In addition, 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 (90) days from the date of receiving the Auditor's or certified public accountant's report.

We recommend the sheriff reimburse the 2016 fee account \$4,565 for disallowed disbursements. This amount should then be turned over to the fiscal court as additional excess fees from 2016. Additionally, we recommend the sheriff monitor his disbursements to ensure all disbursements are allowable and in accordance with the guidelines established in Funk v. Milliken. We will refer this finding to the Kentucky Office of Attorney General and the Kentucky State Police.

*Sheriff's Response: With regard to the \$1500.00 transaction, I was led to believe that we were purchasing two computers and an air conditioner, which were all desperately needed. The payee on the check was altered after I signed the check. I have been in contact with the former Bookkeeper regarding this issue and have secured repayment in the amount of \$1500.00, which has been deposited into the 2016 Fee Account. My office will work and cooperate fully with the appropriate agencies to resolve this matter and pursue the proper course of action, whatever that may be.*

**The sheriff will need to deposit personal funds of \$15,095 to settle his 2016 fee account:** The sheriff will need to collect \$15,095 which consists of the following in order to settle his 2016 fee account:

Prior year state advancement \$5,080  
Disallowed expenditures \$4,565  
Election board payments \$5,450

The sheriff owes \$5,080 to his 2016 fee account for the 2015 state advancement that was paid out of the 2016 fee account in error. The sheriff indicated he was not familiar with requirements regarding state advancements and made the payment in error. Second, the sheriff had disallowed disbursements totaling \$4,565 in his 2016 fee account. The sheriff did not have adequate controls in place to ensure all disbursements were allowable. Finally, the sheriff failed to deposit election board payment totaling \$5,450 into his 2016 fee account. The sheriff indicated he was unaware the election board payments were not his personally.

There are uncollected receivables that still exist in the 2016 fee account and the sheriff is personally liable for collecting them. The sheriff is also in violation of statutes related to timely settlement of accounts, election board payments, and salary maximums.

KRS 134.192(1) requires the sheriff to settle his accounts annually with the county, no later than September 1 of each year. KRS 134.192(11) requires a complete statement of funds received and expenditures made from his office. KRS 134.192(12) requires the sheriff to pay the governing body of the county excess fees at the time the annual settlement is filed. Additionally, KRS 64.820 requires the fiscal court to collect any amount due the county from the county officials as determined by the audit and to turn the matter over to the county attorney if the amount due cannot be collected without lawsuit.

We recommend the sheriff deposit personal funds of \$15,095 into the 2016 fee account, which along with the current balance in the account of \$57, should be turned over to the fiscal court as excess fees for calendar year 2016.

*Sheriff's Response: With regard to the account deficit, there are three components that comprise it: Election Board Payments, Payments related to the 2015 State Advancement and expenditures that were disallowed in the opinion of the auditor. Since assuming office in 2007, I have served on the Local Board of Elections, as statute mandates the Sheriff do. Since that time, I have always been under the belief that payment rendered to fee officials was theirs personally, and not due back to their respective fee accounts. Of particular importance, in my opinion, is the fact that these payments, which were issued by the Fiscal Court, were written to me personally, and not the Office Fee Account.*

*This has been tradition since I've been Sheriff, and this issue was never brought up by the Auditor's Office until a year ago. In July 2015, I applied for and secured a State Advancement loan in the amount of \$50,000.00 in order to supplement revenue and operate my office. I was lead to believe that I would have twelve calendar months from the loan origination date in which to fully repay the loan. Consequently, I made \$5,080 in payments toward the loan in 2016 before being advised that I could not do so, and that the loan should have, in fact, been paid in full by the end of CY 2015. Lastly, there were three expenditures in CY 2016 totaling \$4,565.00 that were disallowable in the opinion of the auditor. As of this time, \$1500.00 of that amount has already been repaid to the 2016 Office Fee Account.*

Auditor's Reply: Election board payments significantly increased in calendar year 2016, which warranted further consideration by auditors. Testing revealed that these payments were not deposited into the fee account as required. In prior periods, the amount for election board payments was much smaller and would not have required additional test procedures. Regarding the state advancement, the state advancement application signed by the sheriff indicated the funds were to be repaid by December 31, 2015. Finally, disallowed disbursements are a matter of judicial precedent as established in Funk v. Milliken, 317 S.W.2d 499 (Ky. 1958).

**The sheriff's 2015 fee account deficit totaling \$36,426 remains unpaid:** This is a repeat finding and was reported in the prior year audit report as Finding 2015-001. The sheriff's 2015 fee account has a deficit totaling \$36,426. In order to settle the 2015 fee account, the sheriff needs to collect and pay the following:

**Collect:**

Personally from Sheriff -	
Election Board Payments	\$ 1,650
Disallowed Disbursement - Meritorious Award	5,958
Fund Deficit as of 12/31/15	<u>36,426</u>
TOTAL TO COLLECT FROM SHERIFF	<u>\$ 44,034</u>

**Pay:**

2016 Fee Account for State Advancement	\$ 5,080
State Advancement Balance	<u>38,954</u>
TOTAL AMOUNTS TO PAY	<u>\$ 44,034</u>

The sheriff was aware of the receivables and liabilities associated with the 2015 fee account. Due to a lack of oversight and failure to take corrective action, the amounts due per the 2015 fee audit were not collected and paid as directed. There are liabilities that still exist in the 2015 fee account and the sheriff is personally liable for paying them. Failure to settle accounts timely increases the risk that misappropriation of assets or fraud will occur.

KRS 134.192(1) requires the sheriff to settle his accounts annually with the county, no later than September 1 of each year. KRS 134.192(11) requires a complete statement of funds received by and expenditures made from his office. KRS 134.192(12) requires the sheriff to pay the governing body of the county excess fees at the time the annual settlement is filed.

We recommend the sheriff deposit personal funds of \$44,034 to cover the 2015 fee account deficit, disallowed expenditures, and election board payments not deposited. After these funds have been deposited, we recommend the sheriff pay the remaining balance of the state advancement totaling \$38,954, and pay the 2016 fee account \$5,080 for a partial state advancement payment made from the wrong fee account.

*Sheriff's Response: This fund deficit is comprised of three components: Election Board Payments, a Meritorious Award that was disallowed and the unpaid balance of the 2015 State Advancement*

*loan. Since assuming office in 2007, I have served on the Local Board of Elections, as statute mandates the Sheriff do. Since that time, I have always been under the belief that payment rendered to fee officials was theirs personally, and not due back to their respective fee accounts. Of particular importance, in my opinion, is the fact that these payments, which were issued by the Fiscal Court, were written to me personally, and not the Office Fee Account. This has been tradition since I've been Sheriff, and this issue was **never** brought up by the Auditor's Office until a year ago. With regard to the Meritorious Award, one of my clerical staff was advised by an auditor from the State Auditor's Office in 2013 that it was permissible for fee officials to extend Meritorious Awards to their employees, and that those awards should be structured as a percentage of the employee's gross earnings. Additionally, it was common practice for another County Fee Official to give his employees these same Meritorious Awards in years past. These transactions were audited by the State Auditor's Office and were not disallowed. However, the auditor did choose to disallow a Meritorious Award that I extended to the former Bookkeeper. Lastly, the third component that comprises this deficit is the remaining balance of the 2015 State Advancement loan. In the summer of 2013, the Fiscal Court unanimously approved for my office to apply for a State Advancement loan in the amount of \$50,000.00. Due to this being the first and only time I had ever applied for such a loan, I was erroneously under the impression that I had twelve calendar months in which to fully repay it, when in reality I only had about six months. If I had been aware of the actual repayment terms, I would have never applied for the loan, as the decline in revenue and the unwillingness of the Fiscal Court to assist my office would have made it financially impossible to repay the outstanding balance in a timely fashion.*

Auditor's Reply: Election board payments significantly increased in calendar year 2016, which warranted further consideration by auditors for the calendar year 2015 audit. Testing revealed that these payments were not deposited into the fee account as required. In prior periods, the amount for election board payments was much smaller and would not have required additional test procedures. Regarding the meritorious award, the way the award was structured and the fact that the fee official did not have excess fees available to pay such an award rendered it disallowed. Other officials have given cost of living raises, salary adjustments, and other personnel actions that are not incentive-based and are allowable for fee officials. These type of personnel actions depend on the particular circumstances in each county (e.g. the administrative code the official follows, whether the county is fee pooling, etc.) and comparisons cannot be made without knowledge of the specific situation in each audit. Regarding the state advancement, the state advancement application signed by the sheriff indicated the funds were to be repaid by December 31, 2015.

**The sheriff's state advancement for 2015 remains unpaid:** This is a repeat finding and was reported in the prior year audit report as Finding 2015-002. The sheriff did not pay his calendar year 2015 state advancement in full by year end. The sheriff applied for and received a state advancement totaling \$50,000 for 2015 in accordance with KRS 64.140.

The sheriff's office lacked the funds necessary to pay all year end expenses so the State Advancement was not repaid in full. The sheriff paid \$5,966 from the 2015 fee account and \$5,080 from the 2016 fee account (refer to Findings 2016-002 and 2016-003 for more information). State advancements must be paid in full from the fee account in which they are received. Since this was the first time the sheriff had received a state advancement, he indicated he was not aware that the advancement had to be paid in full by year end and that the advancement could not be repaid from other fee accounts.

The sheriff did not fully read and understand the terms and conditions of the state advancement contract.

The sheriff is in violation of the state advancement contract. The sheriff personally owes the portion of the state advancement still outstanding, which totals \$38,954, and he owes the 2016 fee account \$5,080 for the portion of the 2015 state advancement that was paid using 2016 funds.

KRS 64.140(3) states, “[i]f the total of fees and commissions paid into the State Treasury by the sheriff for any calendar year is insufficient to match the amount of advancements made to the sheriff, his or her sureties and the sheriff in his or her official capacity shall be liable to the state for any excess of advancements over the total of fees and commission paid into the State Treasury.”

We recommend the sheriff ensure all state advancements are paid in full by calendar year end. Further, we recommend the sheriff deposit personal funds to cover the outstanding state advancement and the amount owed to the 2016 fee account (Also see Findings 2016-002 and 2016-003).

*Sheriff's Response: At the urging of the County Fiscal Court, I applied for and received a \$50,000.00 State Advancement from the Commonwealth of Kentucky in the summer of 2015 in an effort to provide supplemental revenue for the operation of my office. I was led to believe that I would have twelve calendar months from the loan date in which to fully reimburse the State. However, this was not the case, and instead was later informed that payment in full was required by the calendar year end, which was approximately six months after the loan origination date. As a consequence of a decline in revenue, along with the unwillingness of the County Fiscal Court to assist my office, it was financially impossible for me to make full reimbursement by the end of the calendar year. Prior to securing the State Advancement, I did execute a separate bond through the Western Surety Company that would “stand good” for this loan. I am currently in communication and negotiation with the Western Surety Company in an effort to default payment of the outstanding balance to the bond. Since assuming office in 2007, this is the ONLY occasion in which I have ever attempted to utilize any bond that I have executed for purposes related to my elected position.*

**The sheriff had \$5,982 in disallowed disbursements in his 2015 fee account that remain unpaid:** This is a repeat finding and was reported in the prior year audit report as Finding 2015-003. The sheriff paid \$5,982 as a meritorious award to one employee during prior calendar year 2015. This was not an allowable disbursement of the fee account. The administrative code stipulates that the sheriff must have excess fees available for the meritorious award to be paid. Since the sheriff did not pay back his 2015 state advancement, he was in a deficit for calendar year 2015 and no excess fees were available for the meritorious award.

In 2015 the sheriff’s administrative code stated “Meritorious award shall be allotted to the Tax Clerk when “excess” funds are available. (Not to exceed 10% gross).” However, there is no statutory authorization allowing a fee officer to independently regulate incentive awards to fee officers’ employees. A clerk or sheriff cannot create, on their own and without being in the county’s personnel system, an incentive award or incentive payments for their deputies. The sheriff was in violation of the administrative code and spent taxpayer funds on incentive payments that are not allowed by statute. This amount must personally be paid back to the 2015 fee account

from the sheriff. We recommend the sheriff personally reimburse the 2015 fee account \$5,982 paid erroneously as a meritorious award.

*Sheriff's Response: One of my clerical staff was advised by an auditor from the State Auditor's Office in 2013 that it was permissible for fee officials to extend Meritorious Awards to their employees, and that those awards should be structured as a percentage of the employee's gross earnings. Additionally, it was common practice for another County Fee Official to give his employees these same Meritorious Awards in years past. These transactions were audited by the State Auditor's Office and were not disallowed. However, the auditor did choose to disallow a Meritorious Award that I extended to the former Bookkeeper.*

Auditor's Reply: The meritorious award was disallowed in the prior year because the sheriff did not have excess fees available to pay such an award. The sheriff's own administrative code required excess fees to be available before this award was permitted. Auditors informed the sheriff that an incentive based award (such as the meritorious award) is not allowable for fee officials unless they follow a county administrative code that allows for such awards in order to prevent such an error in the future. Other officials have given cost of living raises, salary adjustments, and other personnel actions that are not incentive based and are allowable for fee officials. These type of personnel actions depend on the particular circumstances in each county (e.g. the administrative code the official follows, whether the county is fee pooling, etc.) and comparisons cannot be made without knowledge of the specific situation in each audit.

**Election board payments were not deposited into the official's fee account:** This is a repeat finding and was reported in the prior year audit report as Finding 2015-004. The sheriff received \$5,450 during calendar year 2016 for his service on the local election board. The election board payments were not deposited into the sheriff's fee account. The sheriff indicated he was not aware that these payments are not his personally and are, in fact, part of his official duties as sheriff. The sheriff is in violation of regulations related to election board payments and salary maximums. KRS 117.035 outlines the regulations applicable to local election boards and KRS 64.5275 established salary maximums for fee officials. We recommend the sheriff personally reimburse \$5,450 to the 2016 fee account for the total amount of payments received as an election board officer.

*Sheriff's Response: Pursuant to statute, I am required to serve on the County Board of Elections, as it is a duty of the County Sheriff. Since assuming office in 2007, it has always been my understanding that payment rendered for the services of fee officials on the Local Board of Elections was due to the official personally, and not their respective Fee Accounts. Of particular importance, in my opinion, is the fact that these payments, which were issued by the Breathitt County Fiscal Court, were made payable to me personally, and not the office Fee Account. Additionally, my office has been audited every year by the State Auditor's Office, and I was never informed of the contrary until recently. In order to comply with applicable statutes, I will personally reimburse the 2015 and 2016 Fee Accounts for these election board payments.*

Auditor's Reply: Election board payments significantly increased in calendar year 2016, which warranted further consideration by auditors. Testing revealed that these payments were not deposited into the fee account as required. In prior periods, the amount for election board payments was much smaller and would not have required additional test procedures.

**The sheriff had \$4,375 in disallowed disbursements in his 2009 fee account that remain unpaid:** This is a repeat finding and was reported in the prior year audit report as Finding 2015-005. In the prior year audit, it was noted that the sheriff had \$4,375 of disallowed disbursements in his 2009 fee account. During 2009, 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. This was not a necessary expense in the operation of the sheriff's office and was disallowed. The sheriff did not have adequate controls in place to ensure all disbursements were necessary, adequately documented, reasonable in amount, beneficial to the public, and not personal in nature. The sheriff paid expenses in direct violation of those outlined as allowable for fee officials. This disallowed disbursement remains unpaid.

In Funk v. 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.

In addition, 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 (90) days from the date of receiving the Auditor's or certified public accountant's report.

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

*Sheriff's Response: As required by law, the Volunteer Deputy who was involved in the incident that led to this expenditure was bonded in his capacity by the CNA Surety Company in the amount of \$10,000.00. I will confer with the CNA Surety Company regarding this issue and the potential applicability of the Deputy's bond with regard to the payment of this disallowed expenditure.*

**The sheriff had \$339 in disallowed disbursements in his 2012 fee account that remain unpaid:** This is a repeat finding and was reported in the prior year audit report as Finding 2015-006. In the prior year audit, it was noted that the sheriff had \$339 in disallowed disbursements. The sheriff paid for items that were not allowable: \$25 in donations and \$314 in books purchased for students. The sheriff did not have adequate controls in place to ensure all disbursements were necessary, adequately documented, reasonable in amount, beneficial to the public, and not personal in nature. The sheriff paid expenses in direct violation of those outlined as allowable for fee officials by making disbursements that were not necessary for the operation of his office. These disallowed disbursements remain unpaid.



In Funk v. 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. In addition, 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 (90) days from the date of receiving the Auditor's or certified public accountant's report.

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

*Sheriff's Response: In my opinion, one of the most imperative services that our society can provide to our children and grandchildren is a top-quality education. With that being said, it was my belief at the time of the expenditure that the purchase of books for our County's students was a permissible one. Unfortunately, it was the determination and opinion of the Auditor's Office that the purchase of these educational materials should be disallowed. Because of the intent I had at the time of purchase, and in order to conform to the recommendation of the Auditor, I will gladly reimburse, personally, the 2012 Fee Account.*

Auditor's Reply: Disallowed disbursements are a matter of judicial precedent as established in Funk v. Milliken, 317 S.W.2d 499 (Ky. 1958). In order to be an allowable, a disbursement must be necessary for the operation of the office. It was determined that the donation and book purchases in a prior period are not necessary expenses of a sheriff's office (among other requirements).

**The sheriff lacks internal controls over disbursements:** The sheriff lacks internal controls over disbursements. There were 62 checks written for carwashes totaling \$6,280 and 18 checks totaling \$6,900 for ammo, guns, and belts. We question the necessity of these disbursements due to lack of detail on invoices and the reasonableness of these transactions due to the volume of such transactions. The sheriff also paid an individual \$10,500 for preparation of property tax settlements, W-2s, and 1099s. This is an increase of \$4,400 (72%) from the prior year. The tax settlement preparation fees increased \$2,900 (64%) from the prior year. We question if these disbursements are reasonable due to the volume of the transactions. We question if these disbursements are reasonable because these amounts are significantly higher than we typically see in other counties.

The sheriff has not established adequate internal control procedures over disbursements or implemented an effective supervisory review/oversight process to prevent and detect errors, misstatements, and fraud. Due to a lack of proper invoice detail and weak internal controls, taxpayer funds could have been misspent. Inadequate controls over disbursements increase the

risk of undetected fraud, errors, and misstatements. Good internal controls dictate invoices should be present when payment is made and invoices should be sufficiently detailed, including date, description of item purchased/service provided, quantity, etc. Additionally, in Funk v. Milliken, 317 S.W.2d 499 (Ky. 1958), Kentucky's highest court reaffirmed the rule that county fee officials' disbursements 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. We recommend the sheriff monitor and strengthen his internal controls over his disbursements to ensure all disbursements are reasonable, necessary, adequately documented, and beneficial to the public.

*Sheriff's Response: At the time of each transaction, I adamantly feel that the services rendered for each expenditure were legitimate and necessary ones, with regard to the operation of my office. However, I, as much as anyone, have felt the impact of dwindling revenue over the past couple of years. Consequently, I will not only be taking into consideration the legitimacy and necessity of each expenditure moving forward, but also the economic feasibility of each one.*

**The sheriff's office lacks adequate segregation of duties:** This is a repeat finding and was reported in the prior year audit report as Finding 2015-007. The sheriff's office lacks adequate segregation of duties. The responsibilities of recording, depositing, and reconciling cash are delegated to the same individual. Since only one person performs these functions, there is no assurance that financial transactions are accurate, complete, and free of error/misstatement. The sheriff is aware of the risk associated with inadequate segregation of duties.

However, due to a small staff size and budget constraints, the sheriff has decided to accept these risks and has not implemented compensating controls to offset this weakness.

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 fraud. If duties cannot be adequately segregated due to a small staff size, the sheriff could implement and document compensating controls to reduce the risk of inadequate segregation of duties. Examples of compensating controls include: the sheriff comparing daily checkout sheet to receipts ledger and bank deposit, reviewing bank reconciliations for accuracy, performing surprise cash counts, reviewing invoices prior to payment, and reviewing all financial reports. The sheriff could document his review process by initialing reports and supporting documentation.

We recommend the sheriff segregate the duties of receiving, recording, depositing, and reconciling cash or implement and document compensating controls to offset this control weakness.

*Sheriff's Response: As a direct result of a decline in revenue and the unwillingness of the County Fiscal Court to assist my office, it is financially impossible to hire ample support staff so that financial duties can be sufficiently segregated. In fact, the Fiscal Court slashed my personnel budget by a drastic 76% from CY 2017 to CY 2018, allowing just \$30,000 for the payment of all wages and all fringe benefits for my entire staff for the entire calendar year. Despite these tremendous setbacks, I will, to the best of my ability, implement safeguards in an effort to ensure the accuracy and integrity of all financial transactions.*

Auditor's Reply: Compensating controls, as suggested in this finding, do not require hiring additional staff or additional costs of any kind. It simply requires more management involvement, oversight, and review and appropriate documentation of these procedures.

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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