

**REPORT OF THE AUDIT OF THE  
FORMER BREATHITT COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2017**



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Jeff Noble, Breathitt County Judge/Executive  
The Honorable Ray Clemons, Former Breathitt County Sheriff  
The Honorable John Hollan, Breathitt County Sheriff  
Members of the Breathitt County Fiscal Court

Independent Auditor's Report

**Report on the Financial Statement**

We were engaged to audit the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the former Sheriff of Breathitt County, Kentucky, for the year ended December 31, 2017, and the related notes to the financial statement.

**Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Because of the matters described in the Basis for Disclaimer of Opinion paragraph; however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

**Basis for Disclaimer of Opinion**

The former Breathitt County Sheriff did not maintain adequate accounting records of fee account receipts and disbursements to allow us to apply other auditing procedures to satisfy ourselves as to the validity of fee account receipts and disbursements, which resulted in a high level of audit risk. Due to the apparent lack of internal controls and the above noted issue, we were unable to reduce the audit risk to an acceptable level.

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AN EQUAL OPPORTUNITY EMPLOYER M / F / D



The Honorable Jeff Noble, Breathitt County Judge/Executive  
The Honorable Ray Clemons, Former Breathitt County Sheriff  
The Honorable John Hollan, Breathitt County Sheriff  
Members of the Breathitt County Fiscal Court

**Disclaimer of Opinion**

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statement.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2019, on our consideration of the former Breathitt County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the former Breathitt County Sheriff's internal control over financial reporting and compliance.

Based on the results of our audit, we have presented the accompanying Schedule of Findings and Responses, included herein, which discusses the following report comments:

- 2017-001 The Former Sheriff's Fourth Quarter Report Did Not Include All Receivable And Liabilities
- 2017-002 The Former Sheriff's Office Lacked Adequate Segregation Of Duties Over Receipts And Bank Reconciliations
- 2017-003 The Former Sheriff's 2015 Fee Account Has A Deficit Of \$7,608
- 2017-004 The Former Sheriff Has Not Settled His 2016 Fee Account
- 2017-005 The Former Sheriff Has Not Settled His 2009 Fee Account
- 2017-006 The Former Sheriff Has Not Settled His 2012 Fee Account
- 2017-007 The Former Sheriff Has Not Paid Back \$3,065 In Disallowed Disbursements To His 2016 Fee Account
- 2017-008 The Former Sheriff Has Not Paid Back \$5,982 In Disallowed Disbursements To His 2015 Fee Account
- 2017-009 The Former Sheriff Has \$600 In Disallowed Disbursements In His 2017 Fee Account

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

April 11, 2019

FORMER BREATHITT COUNTY SHERIFF  
FINANCIAL STATEMENT

For The Year Ended December 31, 2017

12/11/2017 Rev. 10/01

Form For Budget, Cumulative Quarterly Report and Annual Settlement For Calendar Year 2017

Breathitt County Sheriff

Part One - Summary and Reconciliation of All Accounts

Show & Describe All Accounts	Column 1	Column 2	Column 3	Column 4	Column 5
	2017 Fee Account Budget Estimate	2017 Fee Account Cumulative Actual	Account (NOT FEE ACCOUNT)	Account (NOT FEE ACCOUNT)	Account (NOT FEE ACCOUNT)
1. Receipts YTD	\$251,250.00	\$363,568.17			
2. Total Disbursements YTD	\$251,250.00	\$351,613.53			
3. Book Balance/Excess fees		\$11,954.64			
4. Bank Statement Balance		\$15,820.75			
5. Plus Deposits in Transit		\$0.00			
6. Less Outstanding Checks		\$3,866.11			
7. Other		\$0.00			
8. Reconciled Bank Balance		\$11,954.64			
9. Accounts Receivable as of 12/31					
10. Unpaid Obligations as of 12/31					
11. Excess fees					

Instructions: This form is the required format for the budget and the quarterly report. **BUDGET:** After completing the budget estimate columns of Parts One, Two and Three, submit to the fiscal court for approval by January 15th and following approval submit to the state local finance officer, **QUARTERLY REPORT:** The quarterly report is cumulative. Show the status of all funds in the official's charge during calendar year to date in Part One. **Line 1:** Show total receipts on a cash basis for the year to date including any beginning balances for all accounts. **Show current year fee account in COLUMN 2 as calculated in Part Two of report.** **Line 2:** Show total disbursements on a cash basis for the year to date for all accounts. **Show current year fee account in COLUMN 2 as calculated in Part Three of report.** **Line 3:** Show difference between lines 1 and 2 for all accounts. **Line 4:** Show bank statement balances at close of quarter. **Line 5:** Show total deposits made prior to close of quarter that are not reflected in bank statements. **Line 6:** Show total amount of checks issued prior to close of quarter that are not reflected in bank statements. **Line 7:** Show investments. **Line 8:** Show line 4 adjusted for lines 5, 6, and 7. **Line 8 should equal line 3 for all accounts.** **Line 9:** Complete for quarter ending 12/31. Show calculation in Part Two of report. **Line 10:** Complete for quarter ending 12/31. Show calculation in Part Three of report. **Line 11:** Complete for quarter ending 12/31. Show line 8 adjusted for lines 9 and 10. All debt to be shown in Part Four. Report due to: State Local Finance Officer, 1024 Capital Center Drive, Suite 340, Frankfort, KY 40601-8204 by the 30th day following the close of each quarter. Fax # 502-575-3712 / Ph # 502-575-3710.

Approved by the fiscal court on the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_  
\_\_\_\_\_  
County Judge/Executive Date

To the best of my knowledge the information reported herein for the quarter ending 12/31/2017 is accurate and complete.  
*J. Clemons*  
Signature of County Sheriff Date

FORMER BREATHITT COUNTY SHERIFF  
 FINANCIAL STATEMENT  
 For The Year Ended December 31, 2017  
 (Continued)

LF 1132-001 Rev. 10/09

Part Two Receipts	Budget Estimate	1/1 thru 3/31	4/1 thru 6/30	7/1 thru 9/30	10/1 thru 12/31	Total YTD	Accounts Receivable 12/31	Settlement Total
1. Federal Grants	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00			
2. State Grants	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00			
3. State - KLEFFP	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00			
4. Receipts YTD								
5. Finance and Administration Cat.	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00			
6. Cabinet Human Resources	\$6,000.00	\$417.60	\$1,621.36	\$1,201.69	\$805.73	\$4,046.38		
7. Circuit Clerk- DEL 10%	\$3,000.00	\$6,199.44	\$4,648.63	\$2.33	\$34.80	\$10,885.20		
8. Sheriff Security Services	\$0.00	\$6,775.37	\$13,930.60	\$13,039.24	\$12,164.40	\$45,909.61		
9. Fines/Tees Collected	\$2,500.00	\$567.30	\$778.60	\$1,253.20	\$100.00	\$2,749.10		
10. Court Ordered Payments	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		
11. Fiscal Court (includes Division Courts)	\$0.00	\$14,500.00	\$15,000.00	\$12,000.00	\$0.00	\$41,500.00		
12. County Clerk (delinquent taxes)	\$25,000.00	\$7,411.50	\$12,059.85	\$8,394.60	\$18,512.56	\$46,378.51		
13. Commissions on Taxes Collected	\$180,000.00	\$23,048.50	\$9,986.42	\$10,562.45	\$103,246.67	\$146,844.04		
14. Fees Collected for Services								
15. Auto Inspections	\$100.00	\$25.00	\$20.00	\$20.00	\$55.00	\$120.00		
16. Accident/Police Reports	\$300.00	\$43.60	\$67.00	\$109.74	\$103.25	\$323.59		
17. Serving Papers	\$13,000.00	\$3,610.00	\$4,790.00	\$3,490.00	\$4,600.00	\$16,490.00		
18. CCDW	\$4,000.00	\$580.00	\$540.00	\$260.00	\$620.00	\$2,000.00		
19. Jail Diversion (KRCC)	\$5,500.00	\$521.60	\$800.00	\$1,321.60	\$1,455.36	\$4,098.56		
20. Telecommunications	\$1,600.00	\$269.28	\$403.92	\$403.92	\$403.92	\$1,481.04		
21. Interest Earned	\$250.00	\$2.25	\$117.01	\$69.78	\$7.72	\$196.76		
22. Total Revenues	\$241,250.00	\$63,971.74	\$64,763.39	\$52,128.50	\$142,159.41	\$323,023.04		
23. MISC	\$10,000.00	\$8,605.35	\$5,200.00	\$20,066.58	\$6,673.20	\$40,545.13		
24.								
25.								
26.								
27. Total Receipts (total lines 22 through 26)	\$251,250.00	\$72,577.09	\$69,963.39	\$72,195.08	\$148,832.61	\$363,568.17		

Copy the figures shown on line 27 in the Budget Estimate column to the Summary on page 1, column 1, line 1. Copy the figure shown on Line 27 in the Total YTD column to page 1, column 2, line 1. Copy the figure shown on Line 27 in the Expendable column to page 1, line 9.



FORMER BREATHITT COUNTY SHERIFF  
 FINANCIAL STATEMENT  
 For The Year Ended December 31, 2017  
 (Continued)

LF 1132.001 Rev. 10/09

Part Three Disbursements	Budget Estimate	1/1 thru 3/31	4/1 thru 6/30	7/1 thru 9/30	10/1 thru 12/31	Total YTD	Unpaid Obligations 12/31	Settlement Total
<b>Official Expenses</b>								
<b>1. Personal Services</b>								
2. Sheriff's Gross Salary	\$83,500.00	\$20,796.03	\$17,921.66	\$20,496.59	\$17,922.87	\$77,137.15		
3. Deputies' Gross Salaries	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		
4. Part Time Gross Salaries	\$0.00	\$14,846.83	\$11,358.26	\$10,440.45	\$11,880.29	\$48,525.83		
5. Other Gross Salaries	\$35,000.00	\$4,931.69	\$7,267.33	\$8,712.93	\$5,939.81	\$29,171.78		
6. Overtime Gross	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		
7. KURY	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		
<b>8. Employee Benefits</b>								
9. Employer's Share SS/Medicare	\$9,100.00	\$2,930.21	\$2,835.54	\$3,091.76	\$2,772.95	\$11,630.46		
10. Employer's Share Retirement	\$7,000.00	\$186.36	\$279.54	\$186.36	\$10,316.53	\$10,968.79		
11. Employer's Share Haz. Duty Ret.	\$26,400.00	\$0.00	\$0.00	\$0.00	\$33,820.21	\$33,820.21		
12. Employer's Workmans Compensation	\$6,500.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		
13. Employer's Unemployment Ins.	\$1,500.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		
14. Employer Paid Health Ins.	\$17,200.00	\$0.00	\$0.00	\$0.00	\$15,519.81	\$15,519.81		
15. Training Fringe Benefit (HB810)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		
<b>16. Contracted Services</b>								
17. Advertising	\$1,000.00	\$0.00	\$14.00	\$25.00	\$30.00	\$69.00		
18. Misc	\$0.00	\$9,452.72	\$20,300.00	\$20,300.00	\$20,435.39	\$70,488.11		
<b>2. Supplies and Materials (Charge items with limited lifespan)</b>								
3. Office Materials and supplies	\$1,000.00	\$520.99	\$133.09	\$0.00	\$637.87	\$1,291.95		
4. Uniforms	\$2,500.00	\$1,947.33	\$921.34	\$1,142.83	\$1,278.47	\$5,289.97		
5. Gasoline	\$24,000.00	\$2,028.20	\$4,882.33	\$3,323.34	\$4,759.53	\$14,993.40		
6. Audits	\$10,000.00	\$0.00	\$2,300.00	\$1,000.00	\$2,000.00	\$5,300.00		
7. Vehicle Repairs	\$6,000.00	\$2,242.33	\$1,475.77	\$4,061.00	\$2,950.00	\$10,729.10		
<b>8. Other Charges (Non-contracted services, noncharge items)</b>								
9. Convention	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		
10. Dues	\$500.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		
11. Postage	\$50.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		
12. Computer Expense	\$6,000.00	\$1,348.00	\$0.00	\$977.00	\$1,849.00	\$4,374.00		
13. Training	\$1,000.00	\$195.00	\$80.00	\$0.00	\$149.80	\$424.80		
14. Bond	\$3,000.00	\$263.60	\$1,028.00	\$315.40	\$748.05	\$2,355.05		
15. Cell Phones	\$4,000.00	\$1,686.44	\$1,916.54	\$1,889.75	\$4,031.39	\$9,524.12		
16. Totals for Page	\$245,250.00	\$65,575.73	\$73,033.42	\$75,962.41	\$137,041.97	\$351,613.33		

FORMER BREATHITT COUNTY SHERIFF  
 FINANCIAL STATEMENT  
 For The Year Ended December 31, 2017  
 (Continued)

LF 1132-001 Rev. 10/00

Part Three Disbursements	Budget Estimate	1/1 thru 3/31	4/1 thru 6/30	7/1 thru 9/30	10/1 thru 12/31	Total YTD	Unpaid Obligations 12/31	Settlement Total
34. Auto Expenses on Personal Vehicles								
35. Gasoline			\$0.00					
36. Maintenance and repairs			\$0.00					
37. Re Insurance	\$5,000.00	\$0.00	\$0.00					
38. Depreciation			\$0.00					
39. Law Enforcement Liability	\$1,000.00	\$0.00	\$0.00					
40. Debt Service (bonded money, interest, lease/purchase)								
41. State Advancement			\$0.00					
42. Notes			\$0.00					
43. Interest			\$0.00					
44. Prisoner Transport			\$0.00					
45. Capital Outlay (through purchase of tangible assets lasting in excess of 1 year)								
46. Office Equipment			\$0.00					
47. Vehicles			\$0.00					
48.								
49.								
50. Total Official Expenses	\$251,250.00	\$65,575.73	\$73,033.42	\$75,962.41	\$137,041.97	\$351,613.53		
For officers that are paid, pay fees to county prior to December 31, or counties over 70,000 in population, show payments on appropriate line below.								
51. Payments to County Treasurer								
52. Payments to State Treasurer								
53. Total Disbursements (must total 50, 51, and 52)	\$251,250.00	\$65,575.73	\$73,033.42	\$75,962.41	\$137,041.97	\$351,613.53		

Copy the figures shown on line 53 in the Budget Estimate column to the Summary on page 1, column 1, line 2. Copy the figure shown on line 53 in the Total YTD column to page 1, column 2, line 2. Copy the figure shown on line 53 in the Unpaid column four

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

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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Jeff Noble, Breathitt County Judge/Executive  
The Honorable Ray Clemons, Former Breathitt County Sheriff  
The Honorable John Hollan, Breathitt County Sheriff  
Members of the Breathitt County Fiscal Court

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

Independent Auditor's Report

We were engaged to audit, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the former Breathitt County Sheriff for the year ended December 31, 2017, and the related notes to the financial statement and have issued our report thereon dated April 11, 2019. Our report disclaims an opinion on the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the former Breathitt County Sheriff because of the issues discussed in the Basis for Disclaimer of Opinion paragraph in the Independent Auditor's Report.

**Internal Control over Financial Reporting**

In connection with our engagement to audit the financial statement, we considered the former Breathitt County Sheriff's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the former Breathitt County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the former Breathitt County Sheriff's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2017-001 and 2017-002 to be material weaknesses.



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

**Internal Control over Financial Reporting (Continued)**

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2017-003, 2017-004, 2017-005, 2017-006, 2017-007, 2017-008, and 2017-009 to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the former Breathitt County Sheriff's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as item 2017-001.


**Views of Responsible Official and Planned Corrective Action**

The former Breathitt County Sheriff's views and planned corrective action for the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The former Breathitt Sheriff's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

April 11, 2019

## SCHEDULE OF FINDINGS AND RESPONSES

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BREATHITT COUNTY  
RAY CLEMONS, FORMER SHERIFF  
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2017

FINANCIAL STATEMENT FINDINGS:

2017-001 The Former Sheriff's Fourth Quarter Report Did Not Include All Receivables And Liabilities

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The former sheriff's fourth quarter report did not include receivables in the amount of \$29,255 and \$40,272 of liabilities that occurred subsequent to December 31, 2017, that should have been properly reflected on the fourth quarter report. The former sheriff did not have proper controls in place or adequate oversight to ensure all financial transactions and activity were reported on the year-end quarterly financial statement. Failure to properly report these items results in an incomplete and inaccurate fourth quarter report. According to the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*, all receivables and liabilities must be reported and included in the cumulative financial activity. There is a column on the report for these items. We recommend the former sheriff ensure that all financial activity is included and reported completely and accurately on the fourth quarter report.

*Former Sheriff's Response: Redo the 4<sup>th</sup> Quarter.*

2017-002 The Former Sheriff's Office Lacked Adequate Segregation Of Duties Over Receipts And Bank Reconciliations

---

This is a repeat finding and was reported the prior year audit report as finding 2016-010. The sheriff's office lacked adequate segregation of duties. The responsibilities of recording, depositing, and reconciling cash were delegated to the same individual. The former sheriff was aware of the risk associated with inadequate segregation of duties. However, due to a small staff size and budget constraints, the former sheriff decided to accept these risks and did not implement compensating controls to offset this weakness. Since only one person performed all financial functions, there is no assurance that financial transactions were accurate, complete, and free of error/misstatement. The functions of receiving, recording, depositing, and reconciling cash should be separated whenever possible in order to decrease the risk of undetected errors, misstatements, or fraud. If, due to a small staff size, duties could not be adequately segregated, the former sheriff could have implemented and documented compensating controls to reduce the risk of inadequate segregation of duties. Examples of compensating controls include: the former 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 former sheriff could have documented his review process by initialing reports and supporting documentation. We recommend the sheriff's office segregate the duties of receiving, recording, depositing, and reconciling cash or implement and document compensating controls to offset this control issue.

*Former Sheriff's Response: This will be corrected.*

2017-003 The Former Sheriff's 2015 Fee Account Has A Deficit Of \$7,608

---

This is a repeat finding and was reported the prior year audit report as finding 2016-003. The former sheriff's 2015 fee account had a deficit totaling \$36,426. The former sheriff paid the 2016 fee account for the state advancement in the amount of \$5,080 and the state advancement balance of \$38,954 to the Kentucky State Treasurer, but in order to settle the 2015 fee account, the former sheriff needs to pay election board payments in the amount of \$1,650 and a disallowed disbursement (Meritorious Award) in the amount of \$5,958. The former sheriff was aware of the receivables and liabilities associated with the 2015 fee account. Due to lack of oversight and failure to take corrective action, the amounts to collect from the former sheriff per the 2015 fee audit remain unpaid in the amount of \$7,608. There are liabilities that still exist in the 2015 fee account, and the former sheriff is personally liable for paying them.

BREATHITT COUNTY  
 RAY CLEMONS, FORMER SHERIFF  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2017  
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-003 The Former Sheriff's 2015 Fee Account Has A Deficit Of \$7,608 (Continued)

The former sheriff is also in violation of statutes related to election board payments and salary maximums for calendar year 2015. 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 former sheriff deposit personal funds of \$7,608 to cover the 2015 fee account deficit, disallowed expenditures, and election board payments not deposited.

*Former Sheriff's Response: I had no idea of this.*

2017-004 The Former Sheriff Has Not Settled His 2016 Fee Account

This is a repeat finding and was reported the prior year audit report as finding 2016-002. The former sheriff had disallowed disbursements totaling \$3,065 in his 2016 fee account. The former sheriff did not have adequate controls in place to ensure all disbursements were allowable. Finally, the former sheriff failed to deposit election board payments totaling \$5,450 into his 2016 fee account. The former sheriff was unaware the election board payments were not his personally. The former sheriff will need to collect the following in order to settle his 2016 fee account.

Collect from former sheriff:

- Disallowed expenditures \$3,065
- Election board payments \$5,450

Total amount to collect \$8,515

There are uncollected receivables that still exist in the 2016 fee account, and the former sheriff is personally liable for collecting them. The former 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 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. 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 former sheriff deposit personal funds of \$8,515 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.

*Former Sheriff's Response: This will be taken care of.*

BREATHITT COUNTY  
RAY CLEMONS, FORMER SHERIFF  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended December 31, 2017  
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-005 The Former Sheriff Has Not Settled His 2009 Fee Account

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This is a repeat finding and was reported the prior year audit report as finding 2016-007. In the prior year audit, it was noted that the former sheriff had \$4,375 of disallowed disbursements in his 2009 fee account. The former 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 former 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 former 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 former 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(1) states, "[t]he 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." KRS 64.820(2) states, "[i]n 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 former sheriff turn over personal funds of \$4,375 to the fiscal court for repayment of the disallowed disbursement to settle his 2009 fee account. We will refer this finding to the Breathitt County Attorney.

*Former Sheriff's Response: I will turn over \$4,375 to fiscal court.*

2017-006 The Former Sheriff Has Not Settled His 2012 Fee Account

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This is a repeat finding and was reported the prior year audit report as finding 2016-008. In the prior year audit, it was noted that the former sheriff had \$339 in disallowed disbursements. The former sheriff paid for items that were not allowable because they are not considered necessary or beneficial to the public: \$25 in donations and \$314 in books purchased for students. The former 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 former sheriff paid expenses in direct violation of those outlined as allowable for fee officials. 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(1) states, "[t]he 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." KRS 64.820(2) states, "[i]n 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 former sheriff turn over personal funds of \$339 to the fiscal court for repayment of the disallowed disbursement and settle his 2012 fee account. We will refer this finding to the Breathitt County Attorney.

*Former Sheriff's Response: Under the impression it was paid.*

Auditor's Reply: There was no evidence provided to the auditor that this had been paid through the date of the report.

BREATHITT COUNTY  
RAY CLEMONS, FORMER SHERIFF  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended December 31, 2017  
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-007 The Former Sheriff Has Not Paid Back \$3,065 In Disallowed Disbursements To His 2016 Fee Account

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This is a repeat finding and was reported the prior year audit report as finding 2016-001. The former sheriff has \$3,065 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 previously contacted the vendor listed on the invoice, but the vendor had no such transaction or invoice on file. It appears the invoice was created by office staff to falsify documentation to support the disbursement. Auditors also noted the cancelled check for this transaction had been altered in the former sheriff's files. The cancelled check on file at the bank listed a different payee than the former sheriff's files. Due to the discrepancies noted, we were unable to determine the validity of this transaction. As of January 19, 2018, this disallowed disbursement was reimbursed to the 2016 fee account and has been removed from the above amount. 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, the computer that was repaired could not be located and no one has any knowledge of its existence.

The lack of oversight by the former sheriff allowed the bookkeeper to purchase items without proper supporting documentation. The former 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 former 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(1) states, "[t]he 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. KRS 64.820(2) states, "[i]n 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 former sheriff reimburse the 2016 fee account the remaining \$3,065 for disallowed disbursements. This amount should then be turned over to the fiscal court as excess fees for calendar year 2016 (also see finding 2017-004).

*Former Sheriff's Response: I was not aware of this.*

Auditor's Reply: As noted in the finding, this matter was reported in the sheriff's 2016 Fee Audit as Finding 2016-001.

BREATHITT COUNTY  
 RAY CLEMONS, FORMER SHERIFF  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2017  
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-008 The Former Sheriff Has Not Paid Back \$5,982 In Disallowed Disbursements To His 2015 Fee Account

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This is a repeat finding and was reported the prior year report as finding 2016-005. The former 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 former 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. The former 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 former sheriff. In 2015, the sheriff's administrative code stated "[m]eritorious 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. We recommend the former sheriff personally reimburse the 2015 fee account \$5,982 paid erroneously as a meritorious award.

*Former Sheriff's Response: I had the understanding this was paid.*

Auditor's Reply: There was no evidence provided to the auditor that this had been paid through the date of the report.

2017-009 The Former Sheriff Has \$600 In Disallowed Disbursements In His 2017 Fee Account

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The former sheriff had six carwash transactions in the amount of \$600 in disallowed disbursements for calendar year 2017. No supporting documentation for the disbursements could be located. A lack of oversight by the former sheriff allowed purchases without proper supporting documentation. The former 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 former 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(1) states, "[t]he 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." KRS 64.820(2) states, "[i]n 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 former sheriff reimburse the 2017 fee \$600 for disallowed disbursements. This amount should then be turned over to the fiscal court as excess fees for calendar year 2017.

*Former Sheriff's Response: [Vendor] provided receipts for services rendered and received a 1099 for these services.*