



Auditor of Public Accounts  
Mike Harmon

**FOR IMMEDIATE RELEASE**

Contact: **Michael Goins**  
[Michael.Goins@ky.gov](mailto:Michael.Goins@ky.gov)  
**502.564.5841**  
**502.209.2867**

**Harmon Releases Audit of Former Breathitt County Sheriff's Unmined Coal Tax Settlement**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2017 unmined coal taxes for former 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 former sheriff's settlement presents fairly the taxes charged, credited and paid in accordance with accounting principles generally accepted in the United States of America. The former sheriff's settlement is prepared on the regulatory basis, which is described in the auditor's opinion letter. Regulatory basis reporting for the former sheriff's settlement is an acceptable reporting methodology, and this reporting methodology is followed for all 120 sheriff settlements in Kentucky.

The sheriff's financial statement fairly presents the taxes charged, credited, and paid for the period May 16, 2017 through May 15, 2018 in conformity with the regulatory basis of accounting.

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 comment:

**The former sheriff's office did not have adequate segregation of duties:** The former sheriff's office lacked adequate segregation of duties due to the responsibilities of receiving, recording, depositing, disbursing, and reconciling funds being delegated to the same individual.

The former sheriff's bookkeeper received payments for taxes, recorded receipts, prepared deposits, prepared checks for payments, recorded disbursements, prepared monthly tax reports, and completed monthly bank reconciliations. 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 the accounting functions, there was no assurance that financial transactions were accurate, complete, and free of error and misstatement. The lack of adequate segregation of duties increased the risk that undetected misappropriation of funds, misstatements, errors, and fraud could occur.

Good internal controls require the duties of receiving, recording, depositing, disbursing, and reconciling to be separated when possible. If these duties cannot be separated due to small staff size, the official should provide strong oversight and implement compensating controls to decrease the risk associated with inadequate segregation of duties.

We recommend the sheriff's office segregate the duties of receiving, recording, depositing, disbursing, and reconciling tax funds or to 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, and reviewing all financial reports. The sheriff could document the review process by initialing reports and supporting documentation.

*Former Sheriff's Response: We done all we could do.*

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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