



Auditor of Public Accounts
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Harmon Releases Audit of Lyon County Sheriff's Office

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2017 financial statement of Lyon County Sheriff Kent Murphy. 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 Lyon 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 internal control over financial operations and reporting.

The audit contains the following comments:

Prior years' disallowed expenditures have not been reimbursed to the drug fund: This is a repeat finding and was included in the prior year audit report as Finding 2016-001. During calendar year 2017, the Lyon County Sheriff failed to reimburse the drug fund disallowed expenditures of \$787 from the sheriff's 2013 audit and disallowed expenditures of \$428 from the sheriff's 2014 audit. This is due to the sheriff not being in agreement as to the nature of the items. The expenditures that were disallowed were items bearing the sheriff's name.

According to KRS 218A.420(4), proceeds from the sale of forfeited property are to be used for direct law enforcement purposes. In addition, Kentucky's highest court, in the case of Funk v. Milliken, 317 S.W.2d 499, (Ky. 1958), holds that a sheriff as a fee officer is not allowed to expend the public funds of his office on items that are primarily personal in nature.

We recommend the sheriff reimburse the drug fund account in the amount of \$1,215 from his personal funds in order to comply with KRS 218A.420(4) and Funk v. Milliken, 317 S.W.2d 499, (Ky. 1958).

Sheriff's Response: Rely on Previous Years Response.

The Lyon County Sheriff has internal control deficiencies and noncompliances over receipts: During calendar year 2017, the following issues were noted with the sheriff's receipts:

- Receipts are not batched daily.
- Cash/checks are not broken down on daily checkout sheets.
- Receipts are not placed with the daily bank deposit as required by KRS 64.840(2).

The sheriff failed to batch receipts due to a lack of strong internal controls causing the sheriff's office to not be in compliance with KRS 64.840. Also, by not batching receipts on a daily basis, the opportunity for the misappropriation or theft of receipts is increased.

According to KRS 64.840(2), "[o]ne (1) copy of the receipt shall be given to the person paying the fine, forfeiture, tax, or fee and one (1) copy shall be retained by the official for his own records. One (1) copy of the receipt shall be retained by the official to be placed with the daily bank deposit." While the sheriff was issuing receipts to customers, they were not batched and attached to the daily checkout sheet and daily deposit ticket. Filing receipts as required will not only ensure the sheriff is in compliance with state statutes, but it will also strengthen internal controls over receipts.

We recommend the sheriff strengthen internal controls over receipts and comply with KRS 64.840(2) by batching receipts daily, filing one receipt with the daily checkout sheet and daily deposit, and documenting how much cash and checks were received on the daily checkout sheet.

Sheriff's Response: Our office currently makes daily deposits with the deposit ticket displaying a breakdown of cash and checks. We also retain a triplicate receipt book in which we write a receipt for each transaction. We were unaware that the daily receipts needed to be batched and attached to the daily check out sheets. Since being brought to our attention at the close of our audit we have corrected and implemented the recommendation.

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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