



Auditor of Public Accounts
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FOR IMMEDIATE RELEASE

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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2018 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.

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 Sheriff's Tax Settlements*, 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.

The former Breathitt County Sheriff did not provide any accounting records of the taxes charged, credited, or paid for the period April 17, 2018 through December 31, 2018. In addition, a financial statement was not prepared. This serious weakness in design and operation of financial activities resulted in a high level of audit risk that could not be overcome by our audit procedures. Due to the apparent lack of internal controls and the above noted issues, we were unable to reduce the audit risk to an acceptable level.

Because of the significance of the matter 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.

This audit will be referred to the Office of the Attorney General and the Kentucky Department of Revenue.

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 did not provide any records to auditors: The former sheriff did not provide any records to document the collection of 2018 taxes from April 17, 2018 through December 31, 2018. By failing to provide complete financial records, auditors cannot verify the financial activities of his office. This serious weakness in design and operation of financial activities materially limited the scope of our audit. We could not overcome this high risk thru testing or the risk that a potential fraud could have occurred and went undetected by management. Therefore, a disclaimer of opinion will be issued.

The former sheriff did not implement proper internal controls and oversee the closeout of his term to ensure the activity for tax collections were maintained or an annual tax settlement was prepared.

The former sheriff's practices created an environment for potential undetected material misstatements to occur in the financial statements either by error or fraud and which puts taxpayer monies at risk. In addition, various local and state agencies that rely on and monitor the financial and program activity of the former sheriff cannot rely on nor have any confidence in the reports submitted by the former sheriff. In addition, it should be noted that due to the lack of financial records noted above, auditors could not ensure proper corrective actions had been enacted by the former sheriff to clear any prior year findings. Thus, we will not present or carry forward any prior year findings as part of this audit report.

Effective internal controls over financial reporting are essential to ensure financial records are maintained. In addition, KRS 134.215(3) states, "[e]ach outgoing sheriff shall make a final settlement with the department, the fiscal court, and all districts for which his or her office collected taxes by March 15 immediately following the expiration of his or her term of office. The settlement shall address all charges of taxes made against the sheriff and all money received by him or her as sheriff, and shall include all of the information required for the annual settlement pursuant to KRS 134.192. Upon approval of the final settlement, the outgoing sheriff shall deliver these records to the incumbent sheriff. The final settlement of the outgoing sheriff shall be audited as provided in KRS 43.070 and 64.810."

We recommend the former sheriff make a final settlement with all taxing districts and pay any monies owed to these districts. We will refer this issue to the Kentucky Office of the Attorney General and the Kentucky Department of Revenue.

Former Sheriff's Response: No response.

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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