



Auditor of Public Accounts
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Harmon Releases Audit of Former Carlisle County Sheriff's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2017 financial statement of former Carlisle County Sheriff Steve Perry. 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 former Carlisle County Sheriff in accordance with accounting principles generally accepted in the United States of America. The former sheriff's financial statement did not follow this format. However, the former 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 former Carlisle County Sheriff had \$330 of disallowed disbursements from the 2017 fee account: Of this amount, \$300 was for payments to informants on drug cases. These are being disallowed due to a lack of adequate supporting documentation. The remaining \$30 was for cash withdrawal fees on cash advances. These fees were disallowed because they were not beneficial to the public.

According to the former sheriff, he was lax throughout the year with recordkeeping in regards to transactions associated with drug buys. Furthermore, he was unaware of the standardized forms approved by the Kentucky Sheriff's Association.

Because the payments to informants and withdrawal fees do not meet all of the criteria of Funk v. Milliken, they have been disallowed. In accordance with Funk v. Milliken, 317 S.W.2d 499 (Ky. 1958), Kentucky's highest court ruled that county fee officials' expenditures of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not primarily personal in nature.

We recommend the former sheriff repay \$330 to the fiscal court for the additional excess fees associated with these disallowed disbursements.

Former Sheriff's Response: The former sheriff did not provide a response.

The Carlisle County Sheriff's Office lacked adequate segregation of duties: The Carlisle County Sheriff's Office lacked adequate segregation of duties. The bookkeeper was required to perform multiple accounting functions such as performing daily checkout procedures, daily deposits, posting to the ledgers, performing bank reconciliations, and collecting cash from customers. While the former sheriff had implemented compensating controls to offset the risks associated with a lack of segregation of duties, these controls have been deemed ineffective.

According to office staff, the lack of segregation of duties was caused by the diversity of operations with a limited number of staff. A lack of segregation of duties or strong oversight increases the risk of undetected misappropriation of assets or inaccurate financial reporting.

Segregation of duties or the implementation of compensating controls, when limited by the number of staff, is essential for providing protection against the misappropriation of assets and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. To adequately protect against the misappropriation of assets and financial reporting, the former sheriff should have segregated the duties noted above to the extent allowed by budget restrictions. For those duties that could not be segregated due to a limited number staff, strong management oversight by the former sheriff or designee could have been a cost effective alternative. This oversight should include a thorough review of monthly bank reconciliations, daily checkout sheets, and the receipts and disbursements ledgers. Documentation, such as the former sheriff's or designee's initials or signature, could have been provided on those items that were reviewed.

We recommend the Carlisle County Sheriff's office segregate duties.

Former Sheriff's Response: The former sheriff did not provide a 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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