



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 January 1, 2018 – January 6, 2019 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 failed to pay \$330 of disallowed disbursements from the prior year: This is a repeat finding that was included in the prior year audit report as Finding 2017-001. The former Carlisle County Sheriff had \$330 of disallowed disbursements from 2017. Of this amount, \$300 was for payments that had no supporting documentation. The remaining \$30 was for cash withdrawals fees on cash advances on the office credit card, which were disallowed due to not being beneficial to the public. The former sheriff has failed to settle the disallowed disbursements with the fiscal court.

Because these payments did not meet all of the criteria of Funk v. Milliken, they were disallowed in the prior year. Furthermore, the former sheriff is not in compliance with KRS 64.820 due to not properly settling accounts after an audit. 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. KRS 64.820 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."

The former sheriff has failed to settle the disallowed disbursements due to being in disagreement with the prior year finding. We recommend the former sheriff repay \$330 of disallowed disbursements to the drug fund to adequately settle the 2017 year. Since the former sheriff stated he does not intend to repay the disallowed disbursement from the prior year, this matter will be turned over to the Carlisle County Attorney's Office.

Former Sheriff's Response: As I look at Funk vs Milliken, I can use the drug account if it is necessary (trying to take drugs off the street), adequately documented (it was documented in case report), reasonable in amount (several buys were made and several arrests were made with accusations going to prison), beneficial to the public (the public is wanting drugs off the street), not primarily personal (it's part of my duties).

If you look at KRS 64.820, it states, the fiscal court shall collect any amount due. The fiscal court has no jurisdiction over the drug account. No money was stolen in this deal, only bad guys were put in jail for selling drugs to anyone who would buy them. If that is wrong I will pay the money back but let it be known the people will hear about this and they will not be happy.

Auditor's Reply: The sheriff's drug fund constitutes public funds. Proper support and public purpose are required elements for payments to be deemed allowable.

The former Carlisle County Sheriff's fourth quarter financial statement was materially misstated: The former Carlisle County Sheriff's fourth quarter receipts were materially misstated by \$11,701, due mostly to the omission of December tax commissions of \$10,771. Since the former sheriff did not report the tax commissions' receivable after December 31, 2018, the quarterly financial report submitted to the Department for Local Government (DLG) was not accurate.

Good internal controls dictate that all receivables and payables due after year end are recorded to ensure financial information is accurately reported. KRS 68.210 states that the administration of the county uniform budget system shall be under the supervision of the state local finance officer who may inspect and shall supervise the administration of accounts and financial operations and shall prescribe a system of uniform accounts for all counties and county officials. The fourth quarter financial statement required by the uniform budget system requires the official to certify that information reported herein for the quarter ended is accurate and complete.

The former Carlisle County Sheriff prepared the fourth quarter as of December 31, 2018. The former sheriff was unaware of the necessity to use the accounts receivable column on the fourth quarter to include December receivables received in January, such as tax commissions. We

recommend the sheriff's office accurately report fee receivables to ensure financial information submitted to DLG is accurate.

Former Sheriff's Response: When my Secretary placed the figures into the tax software that we used the end result was right. Even the Auditor's test was different, however the Auditor came up with the same results that we came up with at the end.

Auditor's Reply: To reiterate, this finding is related to the amount of tax commissions reported on the sheriff's 2018 fourth quarter report.

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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