



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 Cumberland County Sheriff's Office**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2017 financial statement of Cumberland County Sheriff Scot Daniels. 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 Cumberland 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 comment:

**The Cumberland County Sheriff's Office paid above estimated cost for repair of cruiser:** A risk was identified during the calendar year 2017 audit regarding a wrecked police cruiser and insurance money received. The police cruiser was wrecked on October 23, 2015. The sheriff submitted one estimate for \$4,542 dated November 3, 2015, to the insurance company. An insurance claim was received by the Cumberland County Fiscal Court totaling \$5,928, due to the sheriff retaining the vehicle even though the insurance company considered it a total loss, on December 2, 2015, and passed through to the sheriff's office on January 12, 2016, for the 2015 accident. On February 11, 2016, the sheriff's office wrote two checks totaling \$5,615 to a vendor

that did not supply the repair estimate, which is \$1,073 above the estimate received. The cancelled invoices that supported the checks paid were not from the vendor who prepared the estimate. The invoices were numbered in successive order (#s 3684 and 3685) and the address of the invoice was marked out and a post office box was written on the invoice. The physical address listed on the invoice is for a local financial institution, not an auto repair business. In addition, the phone number listed on the invoice is no longer in service. The Kentucky Secretary of State website had no matching organization for the business listed on the cancelled invoices and cleared checks, nor was there a Doing Business As (DBA) recorded in the Cumberland County Clerk's office. The two checks were cashed at the local financial institution and endorsed by a former auto service center owner who is now an employee of the state. In addition, the sheriff's office did not issue a 1099 form to the vendor, as required.

This occurred because the sheriff did not exercise proper oversight and internal controls as to the best use of taxpayer dollars. The bookkeeper stated that she wasn't aware that a 1099 was required to be issued for auto repairs.

By paying over the estimated cost of repairs, the sheriff overpaid for services rendered which is an improper use of taxpayer funds. The lack of internal controls increases the risk that undetected misappropriation of funds or fraud will occur and also increases the likelihood of noncompliance with laws and regulations.

In Funk vs. Milliken, 317 S.W.2d 499 (Ky. 1958), Kentucky's highest court reaffirmed the rule that county fee officials' disbursements of public funds will be allowable only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not personal expenses.

Good internal controls dictate that the sheriff exercise adequate internal controls over all disbursements to ensure that taxpayer funds are spent efficiently.

File Form 1099-MISC, Miscellaneous Income is required to be given to each person in the course of your business to whom you have paid at least \$600 during the year in Services performed by someone who is not your employee (including parts and materials). Instructions for preparation of Form 1099-MISC (2018) state, "Payment for services, including payment for parts or materials used to perform the services if supplying the parts or materials was incidental to providing the service. For example, report the total insurance company payments to an auto repair shop under a repair contract showing an amount for labor and another amount for parts, if furnishing parts was incidental to repairing the auto."

We recommend the sheriff implement internal controls and oversight to ensure public funds and resources are utilized efficiently and in the best interest of the taxpayers. In addition, Form 1099 should be issued in accordance with Internal Revenue Service instructions. We will refer this finding to the Kentucky Office of Attorney General.

*Sheriff's Response: We received an estimate in the amount of \$4,542.00 for damages to a 2011 Crown Vic Cruiser. This estimate was open - meaning the amount could increase due to damage unseen. The insurance Company totaled this vehicle - with a total value of \$5,928.00. At that time we bought the totaled vehicle back from the insurance company and had the vehicle repaired. Total repair costs*

*was \$5,615.00 to fix the vehicle. The amount was \$313.00 under the insurance pay out amount. Repairs were made at a local repair shop, Long's Auto. This receipt in question is from an affiliate of Long's Auto. All repairs were made through and completed at Long's Auto.*

Auditor's Reply: The invoice provided appeared to be altered and the vendor paid was not the vendor that provided an estimate for repairing the vehicle. The address on the invoice is not an auto repair business and the phone number was not in service. In addition, the vendor was not listed on the Kentucky Secretary of State website.

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](#).

###

*The Auditor of Public Accounts ensures that public resources are protected, accurately valued, properly accounted for, and effectively employed to raise the quality of life of Kentuckians. Call 1-800-KY-ALERT or visit our website to report suspected waste and abuse.*

