



Auditor of Public Accounts  
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**FOR IMMEDIATE RELEASE**

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### **Harmon Releases Audit of Former Logan County Sheriff's Fee Account**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2017 financial statement of former Logan County Sheriff Wallace Whittaker. 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 Logan 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 the internal control over financial operations and reporting.

The audit contains the following comments:

**The former Logan County Sheriff failed to deposit all receipts into an official sheriff bank account:** The former Logan County Sheriff participated in the sale of calendars during calendar years 2015, 2016, and 2017. The proceeds from the sale of calendars are considered a donation to the sheriff's office and the proceeds were not deposited into any official account of the Logan County Sheriff's office. The former sheriff received \$2,060 from December 15, 2015 through October 28, 2017 from the sale of calendars. The former sheriff's calendar vendor purchased tumblers for office staff in the amount of \$731. Additionally, the former sheriff received payment for scrap metal from a local scrap vendor in the amount of \$1,087. Included in these proceeds was

payment for scrapping vehicles that may have been purchased with the sheriff's drug fund. None of the scrap metal receipts were deposited into any official account of the former Logan County Sheriff. Also, the former sheriff maintains soda machines in the lobby of the sheriff's department. The former sheriff routinely emptied cash from the machine and then refilled the drink machine with sodas. The proceeds from the sale of sodas were not deposited into any official account of the sheriff's office. The former sheriff failed to understand that all funds collected on behalf of his office should be deposited into official sheriff's office accounts and that these funds may only be used for a public purpose. Cash receipts belonging to the sheriff's office were used in a manner, by the former sheriff, that was not for public purpose nor were the funds used to pay for official sheriff law enforcement activities. Funds kept by the former sheriff are due back to sheriff's official accounts.

KRS 61.310(8) states,

(a) A sheriff may accept a donation of money or goods to be used for the public purposes of his or her office if the sheriff establishes a register for recording all donations that includes, at a minimum:

1. The name and address of the donor;
2. A general description of the donation;
3. The date of acceptance of the donation;
4. The monetary amount of the donation, or its estimated worth; and
5. Any purpose for which the donation is given.

The register shall constitute a public record, be subject to the provisions of KRS 61.870 to 61.884, and be made available to the public for inspection in the sheriff's office during regular business hours.

(b) Any donation to a sheriff shall only be used to further the public purpose of the office and shall not be used for the private benefit of the sheriff, his or her deputies, or other employees of the office.

(c) All donations made in accordance with this subsection shall be expended and audited in the same manner as other funds or property of the sheriff's office.

(d) For the purposes of this section and KRS 521.060, a donation shall not be construed to mean a campaign contribution made to the sheriff for his or her reelection.

Additionally, KRS 64.100 requires each sheriff to keep an accurate account of all fees collected by him from all sources.

The former sheriff should have deposited all monies earned or received for official sheriff department activities into official sheriff office bank accounts and refrained from purchasing personal items from calendar proceeds. We recommend the former sheriff reimburse the funds that were neither deposited nor used for official business totaling \$3,878 from personal funds. This finding will be referred to the Office of the Attorney General.

*Former Sheriff Wallace Whittaker's Response: Put all sheriff funds into correct sheriff bank account.*

**The former Logan County Sheriff commingled public and private funds:** The former Logan County Sheriff deposited money collected from the sale of duty weapons to the deputies into his personal account. He then wrote a personal check to the vendor providing the new duty weapons. The former sheriff failed to understand that all funds collected on behalf of his office should be deposited into official sheriff's office accounts. By commingling public and private funds, the former sheriff was not in compliance with KRS 64.850. Per KRS 64.850, "[I]t shall be unlawful for any county official to deposit public funds with individual or private funds in any bank or other depository or for any such official to withdraw public funds for any purpose other than that for which they were received and deposited."

The former sheriff should not have commingled public and private funds and complied with KRS 64.850. We recommend the sheriff's office deposit all public funds into official sheriff's office accounts.

*Former Sheriff Wallace Whittaker's Response: Problem already addressed and corrected. Money put into fee account under "coke fund" money.*

**The former Logan County Sheriff lacked segregation of duties over receipts and reconciliations:** The former sheriff's bookkeeper collects fees, prepared daily deposits, prepared the ledgers, created monthly reports, and prepared the monthly bank reconciliations. According to the former sheriff, the lack of segregation of duties is due to a small budget which limits staff size. A lack of segregation of duties or strong oversight could result in the undetected misappropriation of assets or incorrect financial reporting. Segregation of duties over these tasks and cross-training deputies, when needed because the number of staff is limited, is essential to providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties and cross-training deputies protects employees in the normal course of performing their daily responsibilities. Good internal controls dictate that the collection of receipts, disbursing of cash, purchasing authority, recording of transactions, and bank reconciling duties be segregated.

To adequately protect against the misappropriation of assets and inaccurate financial reporting, the former sheriff should have segregated the duties noted above and cross-trained deputies to accommodate the rotation of these functions. Proper segregation of duties includes separating the duties of collecting cash, depositing receipts, posting to receipts and disbursements ledgers, bank reconciliations, and preparing reports. If segregation of these duties was not feasible, the former sheriff should have designated another person to provide knowledgeable oversight of the employee responsible for the incompatible duties and to document this oversight. Knowledgeable oversight would necessitate an understanding of and ability to perform those same duties if the bookkeeper were absent.

*Former Sheriff Wallace Whittaker's Response: The office staff regularly double checks each others work to maintain compensating controls.*

**Auditor's Reply:** While the sheriff has implemented compensating controls, these controls did not prevent or detect the issues noted in findings 2017-001 and 2017-002.

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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