



Auditor of Public Accounts  
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**FOR IMMEDIATE RELEASE**

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**Harmon Releases Audit of McCreary County Sheriff's Office**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2016 financial statement of McCreary County Sheriff Randy Waters. 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 McCreary 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 McCreary County Sheriff's Office lacks adequate segregation of duties.** This is a repeat finding and was included in the prior year audit report as Finding 2015-001. The sheriff's bookkeeper collects payments from customers, prepares deposits, writes checks, posts transactions to the receipts ledger, posts checks to the disbursements ledger, and prepares monthly and quarterly reports. The sheriff or another employee did not document oversight of any of these activities.

This condition is a result of a limited budget, which restricts the number of employees the sheriff can hire or delegate duties to. Lack of segregation of incompatible duties or strong oversight increases the risk of undetected errors.

Proper segregation of duties over the accounting and reporting functions, such as preparation of the quarterly reports or implementing compensating controls, when necessary because of a limited number of staff, is essential for providing protection from undetected errors. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

The McCreary County Sheriff should separate the duties involved in receiving cash preparing deposits, writing checks, posting to ledgers, preparing monthly bank reconciliation, and comparing financial reports to ledgers. If this is not feasible due to a limited budget, cross-checking procedures should be implemented and documented by the individual performing the procedure.

*Sheriff's response: The sheriff did not provide a response.*

**The McCreary County Sheriff did not maintain accurate receipts and disbursements ledgers and reconcile them to quarterly reports.** The sheriff's receipts and disbursements ledgers and fourth quarter financial report were not accurate and required numerous audit adjustments and reclassifications. The sheriff's bookkeeper did not post all disbursements to the disbursement ledger. In addition, not all amounts on the ledgers were included on the fourth quarter financial report. This was allowed to occur due to the lack of monitoring and review of the ledgers and reports. As a result, the sheriff's receipts ledger and disbursement ledger were adjusted by (\$990) and \$2,657, respectively. Although the effect of these adjustments were not material to the financial statement, they were numerous and necessary to reconcile to the bank account.

Without an accurate receipts ledger, the sheriff cannot ensure all receipts have been properly accounted for. If reports are not reconciled to the receipts and disbursements ledgers, the sheriff cannot ensure proper amounts have been reported and paid to others. In addition, the risk increases that receipts could be misappropriated or that fraud or theft could occur.

We recommend the sheriff maintain accurate receipts and disbursements ledgers and reconcile all monthly and quarterly reports to them. This reconciliation can be documented by initialing and dating the reports.

*Sheriff's response: The 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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