



Auditor of Public Accounts
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Harmon Releases Audit of Former Meade County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2018 taxes for former Meade County Sheriff William "Butch" Kerrick. 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 former sheriff's settlement presents fairly the taxes charged, credited and paid in accordance with accounting principles generally accepted in the United States of America. The former sheriff's settlement is prepared on the regulatory basis, which is described in the auditor's opinion letter. Regulatory basis reporting for the former sheriff's settlement is an acceptable reporting methodology, and this reporting methodology is followed for all 120 sheriff settlements in Kentucky.

The former sheriff's financial statement fairly presents the taxes charged, credited and paid for the period April 17, 2018 through December 31, 2018 in conformity with the regulatory basis of accounting.

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 comment:

The Meade County Sheriff's Office lacks segregation of duties over receipts: The sheriff's office has five employees, including the bookkeeper that rotate between collecting taxes, preparing deposits, and agreeing daily checkout sheets. The bookkeeper posts to the ledgers, prepares monthly reports, and signs disbursement checks. There was not sufficient evidence available that would show that the former sheriff or another employee reviewed daily checkout sheets, deposit

tickets, or ledgers to offset the risk caused by the lack of segregation of duties. The former sheriff did not have enough funds to hire additional personnel to segregate duties. Without segregation of duties, the risk of misstatements in receipts significantly increases because errors and theft can go undetected. Segregation of duties over receipt procedures is essential for providing protection from fraud or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

To adequately protect employees in the normal course of performing their duties, and prevent inaccurate financial reporting or misappropriation of assets, we recommend the sheriff's office implement strong oversight over these areas, either by an employee independent of those functions or by the sheriff, such as:

- The sheriff should compare the daily bank deposit to the daily checkout sheet and then compare to the bank deposit receipt. This should be documented by initialing the bank deposit, daily checkout sheet and bank deposit receipt.
- The sheriff should compare the monthly receipts and disbursements ledger to the monthly tax reports. This should be documented by initialing the receipts and disbursements ledger.

Former Sheriff's Response: I highly disagree with this finding. 12 years of auditing this was never brought to our attention. We had a system of checks and balances by 3 different individuals. The tax program was balanced against the tax deposits. Never a discrepancy. This is not a fair assumption.

Auditor's Reply: The sheriff's office did not adequately segregate duties over receipts. In addition, the former sheriff had no documentation of compensating controls, which would offset this weakness.

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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