



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 Former Bullitt County Sheriff's Tax Settlement**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2015 taxes for former Bullitt County Sheriff David Greenwell. 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 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 sheriff's settlement is prepared on the regulatory basis, which is described in the auditor's opinion letter. Regulatory basis reporting for the sheriff's settlement is an acceptable reporting methodology, and this reporting methodology is followed for all 120 sheriff settlements in Kentucky.

The sheriff's financial statement fairly presents the taxes charged, credited and paid for the period April 16, 2015 through April 15, 2016 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 comments:

**The former sheriff did not have a written agreement to protect deposits.** The former sheriff did not have a written agreement with one of his depository institutions. The former sheriff failed to get a written agreement with a depository institution when he opened multiple accounts with the depository institution. Even though the bank pledged sufficient collateral, by not having a

written agreement, the former sheriff's deposits were uncollateralized and uninsured as of November 5, 2015 and April 15, 2016, by \$54,755,853 and \$757,611, respectively.

According to 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. We recommend the sheriff's office enter into a written agreement with the depository institution to adequately pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times.

*Former Sheriff's Response: No response.*

**The sheriff's office lacked adequate segregation of duties over disbursements.** These deficiencies were present because one employee's duties include accepting tax payments, recording taxes paid, preparing the daily deposit for her cash drawer, reconciling the bank account, preparing monthly tax reports, preparing monthly tax disbursements, and cosigning monthly tax disbursements. A lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as Department for Local Government and taxing districts. Proper segregation of duties over disbursements is essential to protect against asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the following compensating controls be implemented to offset this internal control weakness:

- An employee that does not accept tax payments should prepare the bank reconciliation. Another employee should then compare the bank reconciliation to the balance in the checkbook and any differences should be reconciled. This oversight should be documented by initialing the bank reconciliation and the balance in the checkbook.
- Total tax collections per the monthly reports should be compared to the total of the monthly disbursement checks. Any discrepancies should be resolved and the review should be documented by initialing and dating the monthly reports.

*Former Sheriff's Response: No 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](#).

###

*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.*

