

**REPORT OF THE AUDIT OF THE
FORMER LOGAN COUNTY
SHERIFF**

**For The Year Ended
December 31, 2017**



**MIKE HARMON
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Logan Chick, Logan County Judge/Executive
The Honorable Wallace Whittaker, Former Logan County Sheriff
The Honorable Stephen Stratton, Logan County Sheriff
Members of the Logan County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the former Sheriff of Logan County, Kentucky, for the year ended December 31, 2017, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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AN EQUAL OPPORTUNITY EMPLOYER M / F / D



The Honorable Logan Chick, Logan County Judge/Executive
The Honorable Wallace Whittaker, Former Logan County Sheriff
The Honorable Stephen Stratton, Logan County Sheriff
Members of the Logan County Fiscal Court

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the former Logan County Sheriff on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the former Logan County Sheriff, as of December 31, 2017, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the former Logan County Sheriff for the year ended December 31, 2017, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2018, on our consideration of the former Logan County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the former Logan County Sheriff's internal control over financial reporting and compliance.

The Honorable Logan Chick, Logan County Judge/Executive
The Honorable Wallace Whittaker, Former Logan County Sheriff
The Honorable Stephen Stratton, Logan County Sheriff
Members of the Logan County Fiscal Court

Other Reporting Required by *Government Auditing Standards* (Continued)

Based on the results of our audit, we have presented the accompanying Schedule of Findings and Responses, included herein, which discusses the following report comments:

- 2017-001 The Former Logan County Sheriff Failed To Deposit All Receipts Into An Official Sheriff Bank Account
- 2017-002 The Former Logan County Sheriff Commingled Public And Private Funds
- 2017-003 The Former Logan County Sheriff Lacked Segregation Of Duties Over Receipts And Reconciliations

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

December 4, 2018

LOGAN COUNTY
WALLACE WHITTAKER, FORMER SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2017

Receipts

State Fees For Services:

Finance and Administration Cabinet	\$ 98,372	
Sheriff Security Service	15,027	
Cabinet For Health And Family Services	<u>1,719</u>	\$ 115,118

Circuit Court Clerk:

Fines and Fees Collected	17,728	
Court Ordered Payments	<u>245</u>	17,973

Fiscal Court

95,215

County Clerk - Delinquent Taxes

30,018

Commission On Taxes Collected

482,417

Fees Collected For Services:

Auto Inspections	12,285	
Accident and Police Reports	908	
Serving Papers	47,090	
Serving Papers - Courthouse Fund	11,920	
Carry Concealed Deadly Weapon Permits	<u>9,460</u>	81,663

Other:

Lifeskills	656	
Add-On Fees	40,957	
Miscellaneous	<u>581</u>	<u>42,194</u>

Total Receipts

864,598

The accompanying notes are an integral part of this financial statement.

LOGAN COUNTY
WALLACE WHITTAKER, FORMER SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2017
(Continued)

Disbursements

Operating Disbursements:

Other Charges-

Postage	\$ 981
Serving Papers - Courthouse Fund	11,920
Miscellaneous	<u>289</u>

Total Disbursements	<u>\$ 13,190</u>
Net Receipts	851,408
Less: Statutory Maximum	<u>91,163</u>
Excess Fees	760,245
Less: Training Incentive Benefit	<u>4,052</u>
Excess Fees Due County for 2017	756,193
Payments to Fiscal Court - Monthly	<u>756,193</u>
Balance at Completion of Audit	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of this financial statement.

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2017

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the sheriff as determined by the audit. KRS 134.192 requires the sheriff to settle excess fees with the fiscal court at the time he files his annual settlement with the fiscal court on or before September 1 of each year. KRS 64.830 requires an outgoing sheriff to settle excess fees with the fiscal court of his county by March 15 immediately following the expiration of his term of office.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework. Under this regulatory basis of accounting, receipts and disbursements are generally recognized when cash is received or disbursed, with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2017 services
- Reimbursements for 2017 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2017

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the county treasurer in the subsequent year.

C. Cash and Investments

KRS 66.480 authorizes the sheriff's office to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

D. Fee Pooling

The Logan County Sheriff's office is required by the fiscal court to participate in a fee pooling system. Fee officials who are required to participate in fee pooling deposit all funds collected into their official operating account. The fee official is responsible for paying all amounts collected for others. Residual funds are then paid to the county treasurer on a monthly basis. Invoices are submitted to the county treasurer to document operating expenses. The fiscal court pays all operating expenses for the fee official, with the exception of minor miscellaneous fees which are paid directly by the sheriff from the fee account.

LOGAN COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2017
 (Continued)

Note 2. Employee Retirement System and Other Post-Employment Benefits

The county official and employees have elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent of their salary to be allocated as follows: five percent will go to the member's account and one percent will go to the KRS insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous members contribute five percent of their annual creditable compensation and one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008, must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

The county's contribution rate for nonhazardous employees was 18.68 percent for the first six months and 19.18 percent for the last six months.

Health Insurance Coverage

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% Paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

LOGAN COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2017
 (Continued)

Note 2. Employee Retirement System and Other Post-Employment Benefits (Continued)

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The former Logan County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the sheriff and the depository institution, signed by both parties, that is (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.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the sheriff's deposits may not be returned. The former Logan County Sheriff did not have a deposit policy for custodial credit risk but rather followed the requirements of KRS 66.480(1)(d) and KRS 41.240. As of December 31, 2017, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of November 7, 2017, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the former sheriff's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$10,640,611

Note 4. Drug Account

The former Logan County Sheriff's office maintained a drug account that is used for the purpose of drug enforcement. The beginning balance in this fund was \$67,579. Receipts totaled \$22,689 and expenditures totaled \$48,167. The total fund balance was \$42,101 as of December 31, 2017.

Note 5. Drug Dog Account

The former Logan County Sheriff's office maintained a drug dog account that is used for the purpose of paying for expenses of the sheriff's drug K-9. These funds have been donated by the community for this purpose. The beginning balance in this fund was \$1,357. There were no receipts or expenditures in this account during calendar year 2017.

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2017
(Continued)

Note 6. On Behalf Payments

The Logan County Sheriff's office is required by the fiscal court to participate in a fee pooling system. Since the sheriff is fee pooling, the fiscal court pays the sheriff's statutory maximum and training incentive benefit as reflected on the sheriff's financial statement. For the year ended December 31, 2017, the fiscal court's contributions recognized by the former sheriff included the amounts that were based on the statutory maximum as required by KRS 64.5275. The former Logan County Sheriff recognized receipts from the fiscal court and disbursements for the statutory maximum of \$91,163 and \$4,052 for training incentive for the year ended December 31, 2017.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Logan Chick, Logan County Judge/Executive
The Honorable Wallace Whittaker, Former Logan County Sheriff
The Honorable Stephen Stratton, Logan County Sheriff
Members of the Logan County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the former Logan County Sheriff for the year ended December 31, 2017, and the related notes to the financial statement and have issued our report thereon dated December 4, 2018. The former Logan County Sheriff's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the former Logan County Sheriff's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the former Logan County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the former Logan County Sheriff's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2017-001, 2017-002, and 2017-003 to be material weaknesses.

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the former Logan County Sheriff's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2017-001 and 2017-002.

Views of Responsible Official and Planned Corrective Action

The former Logan County Sheriff's views and planned corrective action for the findings identified in our audit are described included in the accompanying Schedule of Findings and Responses. The former Logan Sheriff's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

December 4, 2018

SCHEDULE OF FINDINGS AND RESPONSES

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LOGAN COUNTY
WALLACE WHITTAKER, FORMER SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2017

FINANCIAL STATEMENT FINDINGS:

2017-001 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.

LOGAN COUNTY
 WALLACE WHITTAKER, FORMER SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2017

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-002 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.

2017-003 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.