



Auditor of Public Accounts  
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**FOR IMMEDIATE RELEASE**

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

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2022 financial statement of former 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 former McCreary County Sheriff in accordance with accounting principles generally accepted in the United States of America. The former sheriff's financial statement did not follow this format. However, the former 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.

Finding 1 of the audit report will be referred to the Kentucky Office of the Attorney General and the McCreary County Attorney for further review.

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 findings:

**The former McCreary County Sheriff did not transfer all funds to his successor as required by KRS 64.830:** The former sheriff maintained a bank account, which was titled "Seized Account" in which money seized during a case was deposited in April 2022. The account was opened solely for the funds seized for this case, and the total money seized and deposited was \$213,725. By letter dated November 10, 2022, the attorney for the defendant in the same case, requested that the seized

funds be placed in his escrow account or kept under the former sheriff's personal supervision because the attorney stated that he did not trust the incoming administration's security. By a check in the amount of \$213,725, the former sheriff surrendered the funds to the suspect's attorney on November 16, 2022 and closed the account. The attorney and former sheriff both signed a notarized document acknowledging the date and amount of the transfer, and providing that the money would be held in escrow by the attorney "until such time as a Court of competent jurisdiction can determine proper ownership." The attorney turned the funds over to the incoming sheriff on January 10, 2023.

The attorney for the defendant whose money was seized did not want any items taken from his client to be controlled by the incoming administration due to the attorney's distrust over security. There is no documentation of why the former sheriff complied with the request of the suspect's attorney. The former sheriff was not in compliance with KRS 64.830.

KRS 64.830(1) states, "[a]n outgoing county official, as soon as his successor has been qualified and inducted into office and his official bond approved, shall immediately vacate his office, deliver to his successor all books, papers, records and other property held by virtue of his office, and make a complete settlement of his accounts as county official, except as otherwise provided in this section."

The former sheriff should have ensured he was in compliance with KRS 64.830 by turning over all seized evidence funds to the incoming administration as soon his successor had been qualified and inducted into office, and his official bond was approved. This finding will be referred to the Kentucky Office of the Attorney General and the McCreary County Attorney for further review.

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

**The former McCreary County Sheriff's Office did not have adequate segregation of duties:** This is a repeat finding and was included in the prior year audit report as Finding 2021-001. The former McCreary County Sheriff's Office did not have adequate segregation of duties. The former sheriff's bookkeeper collected payments from customers, prepared deposits, wrote checks, posted transactions to the receipts ledger, posted checks to the disbursements ledger, and prepared monthly and quarterly reports. The former sheriff or another employee did not document oversight of any of these activities.

According to the former sheriff, this condition is a result of a limited budget, which restricted the number of employees the former sheriff could hire or delegate duties to. A lack of segregation of incompatible duties or strong oversight increases the risk that undetected errors could occur.

A 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, a proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the McCreary County Sheriff's Office 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 could be implemented and documented by the individual performing the procedure.

*Former Sheriff's Response: The former 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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