



Auditor of Public Accounts
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Edelen Releases Audit of Montgomery County Sheriff's Office

FRANKFORT, Ky. – State Auditor Adam Edelen today released the audit of the 2013 financial statement of Montgomery County Sheriff Fred Shortridge. 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.

Recent changes in auditing standards require the auditor's letter to communicate whether the financial statement presents fairly the revenues, expenditures and excess fees of the Montgomery County Sheriff in accordance with generally accepted accounting principles in the United States. The report found that the financial statement of the Sheriff 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 non-compliance 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 Sheriff should only expend funds for allowable purposes. During our review of expenditures, we noted the Sheriff expended \$570 for disallowed items. These items consisted of the following:

- Late fees of \$523 were paid due to payments not made in timely manner.
- Interest on credit card of \$47 was paid from the 2013 fee account.

In Funk v. Milliken, 317 S. W. 2d 499 (Ky. 1958), Kentucky's highest court ruled that county fee officials' expenditures of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not primarily personal in nature. We recommend that the Sheriff reimburse the 2013 Fee Account \$570 from his personal funds for these disallowed expenditures. Furthermore, we recommend that the Sheriff only expend funds for allowable purposes.

Sheriff's response: In reading Funk v. Milliken, 317 S.W. 2d 499 (Ky. 1958), I read and understand that allowable funds must be necessary, adequately documented, of reasonable amount, must be beneficial to the public and not be personal in nature. The late fees that have been labeled as disallowed were three late payments totaling \$374.71 for an automobile lease, of which none were more than 15 days late. The remaining \$195.32 was for late charges and interest on a credit card. There are times throughout the year that income is slow to come in. During these times payroll, retirement and insurance must be paid before other commitments. It's not that we have overspent by no means, but is due to how and when our funds come in. As for tax commissions, they are received after the 10th of the month, state advancements are received the 1st of monthly and county contributions at the end of the month. Our financial commitments are taken seriously and always paid. I feel that the automobile lease payments are necessary, and they are adequately documented through the monthly invoices. The Sheriff has no say in what the lease company charges; therefore the reasonable amount is not determined by the Sheriff. Automobile leasing is beneficial to the public, as it allows deputies to respond to calls for service in safe and reliable transportation, and the lease is not of a personal nature. As for the charges to the credit cards, the items that were purchased were also things that were needed for the office. All receipts were kept and purchases were documented, and the lowest prices were sought before purchasing.

I feel that a lot of things have changed since that 1958 Funk v. Milliken ruling, especially in this day and time where things have definitely changed in the law enforcement community. The Sheriff is responsible for providing full time 24-7 law enforcement services to his citizens, and to accomplish this, it takes more manpower, equipment and supplies for the Sheriff to run his office. In order to provide these services, the Sheriff must have the funds to do so. I hope at some point in the future, that this law may be looked at and some changes made.

As of the date of this exit conference, this office will make the appropriate adjustments, and will make every possible attempt to make all payments in a timely manner to correct this problem and by only expending funds for allowable purposes.

I also fully understand that the audit personnel had to mention this remark in their exit conference, and my response should not reflect negatively on those personnel, nor is it directed towards them.

The Sheriff should perform bank reconciliations on the cold check account and maintain a listing of outstanding checks. During testing of the cold check account maintained by the sheriff, it was noted that monthly bank reconciliation was not being performed. The account maintains a balance that contains a balance due to outstanding checks. As a result of the account not being reconciled, the sheriff is unable to identify what outstanding checks make up the balance. The sheriff should investigate outstanding checks and turn over any unclaimed funds to the state compliant with KRS 393.090.

Good internal controls dictate that all accounts held by the official should be reconciled monthly to ensure accurate reporting and accounting for outstanding items.

Per KRS 393.090, after three years, if the funds have not been claimed, they are presumed abandoned and abandoned funds are required to be sent to the Kentucky State Treasurer by KRS 393.110.

We recommend that the sheriff perform monthly bank reconciliations on the cold check account and investigate the balance maintained in that account. The sheriff should also turn over funds that have been maintained for three years to the state.

Sheriff's response: Bank reconciliations will be performed on the Cold Check Account on a monthly basis, which will provide a listing every month with outstanding checks, if there are any. I am currently in the process of reconciling the closed Cold Check Account, and will attempt to find the person or persons to whom which the fund are owed. If there remains a balance after this process is complete, a check will be written and sent to the Kentucky State Treasurer.

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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