



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

FRANKFORT, Ky. – State Auditor Adam Edelen today released the audit of the 2014 financial statement of Caldwell County Sheriff Stan Hudson. 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 Caldwell 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 comment:

The Caldwell County Sheriff's Office lacks adequate segregation of duties. The Caldwell County Sheriff's Office lacks adequate segregation of duties. Due to a limited number of staff, the Sheriff's bookkeeper is required to perform multiple tasks such as posting to the receipts and disbursements ledgers, monthly bank reconciliations, the preparation of checks for disbursements, and the preparation of monthly and quarterly reports.

Proper segregation of duties is essential for providing protection from asset misappropriation and inaccurate financial reporting, while also protecting employees in the normal course of performing their responsibilities.

The Sheriff has implemented compensating controls such as a review of bank statements, preparation of deposits by different employees, and having the Sheriff or designated employee sign all checks. However, these compensating controls fail to fully offset the lack of segregation of duties. Therefore, we recommend that the Caldwell County Sheriff segregate the duties within his office or implement additional compensating controls such as a review of daily checkout sheets and deposits, review of receipts and disbursements ledgers, and requiring dual signatures on all checks.

Sheriff's response: The Sheriff did not respond.

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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