



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

FRANKFORT, Ky. – State Auditor Adam Edelen today released the audit of the sheriff's settlement – 2014 taxes for 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 sheriff's settlement presents fairly the taxes charged, credited and paid of the Caldwell County Sheriff in accordance with generally accepted accounting principles in the United States. 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 audit found that the sheriff's financial statement fairly presents the taxes charged, credited and paid, for the period, April 17, 2014 through April 15, 2015 in conformity with the modified cash basis of accounting.

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. A lack of segregation of duties and lack of strong oversight increases the risk that fraud or errors may occur and be undetected. This condition is the result of a limited budget, which restricts the number of employees the Sheriff can hire or who he can delegate duties to.

Due to a limited number of staff and the diversity of operations, the bookkeeper is required to perform multiple tasks such as the collection of cash from customers, deposit preparation, bookkeeping, bank reconciliations, preparation of monthly reports, and preparation of checks for disbursements. Segregation of duties over these tasks, or the implementation of compensating controls when limited by the number of staff, is essential for providing protection from asset misappropriation and helping prevent inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

In order to help offset the risks associated with the lack of segregation of duties, the Sheriff has implemented compensating controls such as a review of monthly bank reconciliations and monthly reports. However, we recommend additional compensating controls such as dual signatures on checks, comparisons between the daily collection reports and daily deposits, and comparisons between daily collection reports and monthly tax reports. These additional controls will help further protect assets associated with the tax collection process.

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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