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Edelen Releases Audit of Former LaRue County Sheriff's Office

FRANKFORT, Ky. – State Auditor Adam Edelen today released the audit of the 2014 financial statement of former LaRue County Sheriff Merle Edlin. 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 former LaRue 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 former Sheriff should have submitted accurate quarterly reports. During our audit, we noted the former Larue County Sheriff did not prepare accurate quarterly financial reports as required by the Department For Local Government. KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. This uniform system of accounts, as outlined in the Instructional Guide for County Budget Preparation and State Local Finance Officer Policy Manual requires county officials to submit quarterly reports to the State Local Finance Officer no later than 30 days after the close of the quarters ending March 31, June 30, September 30, and December 31. The former Larue County Sheriff should have submitted financial reports as required by the Department for Local Government by the 30th day following the close of each quarter.

Former Sheriff's response: Last quarterly report was missing because after leaving office I did not have access to computer to finish.

The former Sheriff should have presented an annual financial settlement to the Fiscal Court.
The former Sheriff did not present an annual financial settlement to the fiscal court and remit excess fees as required by statute for the period January 1, 2014 through December 31, 2014. KRS 134.192(11)states "In counties containing a population of less than seventy thousand (70,000), the sheriff shall file annually with his or her settlement: (a) A complete statement of all funds received by his office for official services, showing separately the total income received by his office for services rendered, exclusive of commissions for collecting taxes, and the total funds received as commissions for collecting state, county, and school taxes; and (b) a complete statement of all expenditures of his office, including his salary, compensation of deputies and assistants, and reasonable expenses. According to KRS 134.192(12), at the time the former sheriff files these statements, he shall pay to the fiscal court any fees, commissions, and other income of his office which exceed the sum of his maximum salary as permitted by the Constitution and other reasonable expenses, including the compensation of deputies and assistants. The settlement for excess fees shall be subject to correction by audit conducted pursuant to KRS 43.070 or 64.810. The former Sheriff should have complied with KRS 134.192 by presenting his annual settlement to fiscal court.

Former Sheriff's response: All fees were turned over to Fiscal Court as an annual settlement.

The former Sheriff's office lacked adequate segregation of duties. The former Sheriff's office lacked adequate segregation of duties. The former Sheriff collected payments from customers, prepared deposits, wrote checks, posted transactions to the receipts ledger, posted checks to the disbursements ledger, and prepared reports.

A lack of oversight could result in misappropriation of assets and/or inaccurate financial reporting to external agencies such as the Department for Local Government, which could occur and go undetected.

The segregation of duties over various accounting functions such as opening mail, preparing deposits, recording receipts and disbursements, and preparing monthly reports, or the implementation of compensating controls is essential for providing protection from asset misappropriation and/or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

In an effort to help strengthen internal controls, the former Sheriff should have delegated the duties he performed to other employees within the office and documented his oversight over those duties. The former Sheriff should have separated the duties involved in receiving cash, preparing deposits, writing checks, posting to ledgers, preparing monthly bank reconciliations, and comparing financial reports to ledgers. If due to a limited budget, this was not feasible, cross checking procedures should have been implemented and documented by the individual performing the procedure.

Former Sheriff's response: Sounds good, but not workable in a small county.

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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