



Auditor of Public Accounts  
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### **Edelen Releases Audit of Lee County Sheriff's Office**

**FRANKFORT, Ky.** – State Auditor Adam Edelen today released the audit of the 2014 financial statement of Lee County Sheriff Wendell Childers, Jr. 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 Lee 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 ensure receipts are recorded properly.** The Sheriff should ensure all receipts are recorded properly and in the appropriate fee account. All funds received by the Sheriff's office for calendar 2014 were not included on the quarterly report accurately, and are noted as follows:

- The monthly checkouts and fourth quarter report included a \$31,867 erroneous posting for a 2013 disbursement.

- \$8,523 of receipts, including commissions, state payments and county clerk payments, were not included on the 2014 monthly checkouts. These were due to the 2014 fee account but were deposited into the 2015 fee account.

KRS 43.075(3) states the auditor shall determine “whether there is accurate recording of receipts by source”. The receipts ledger should only include the appropriate year’s receipts. Also, the Sheriff should not close the 2014 fee account until all commissions and other receivables are deposited into it. Had the Sheriff’s office posted all receipts to the ledgers properly and agreed them to the bank statement, any errors would have been detected and corrected prior to the audit. All funds received for CY 2014 should have been deposited into the 2014 fee account and paid to the County as excess fees, and not deposited into the 2015 fee account, even though the Sheriff is fee pooling. Depositing correctly helps ensure accurate receipts and helps with budgeting. We recommend the Sheriff ensure all receipts are recorded properly and in the appropriate fee account.

*Sheriff’s response: We will leave the account open until the previous year’s fees have all been collected and deposited.*

**The Sheriff should comply with the uniform system of accounts.** The Sheriff did not comply with the uniform system of accounts. The Sheriff prepared monthly checkout sheets but did not prepare a detailed receipts ledger noting each day’s collections coded to the appropriate category. KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. Therefore, the prescribed uniform system of accounts requires receipts to be recorded when received and disbursements to be recorded when paid. By not posting to daily checkouts and to a detailed receipts ledger, the Sheriff is not in compliance with the uniform system of accounts. Furthermore, calculation errors can occur and be more difficult to correct. We recommend the Sheriff comply with the uniform system of accounts.

*Sheriff’s response: We will comply with uniform system of accounts.*

**The Sheriff’s office lacks adequate segregation of duties.** The Sheriff’s office lacks adequate segregation of duties for receipts. Due to the entity’s diversity of official operations, small size, and budget restrictions, the Sheriff has limited options for establishing an adequate segregation of duties. Currently, the bookkeeper and a part-time deputy clerk collect receipts, record transactions, make deposits, and post amounts to the receipts ledger. Both employees complete the before mentioned duties and we found evidence of review of each other’s work. However, since the majority of receipt procedures are completed by one employee with reviews only being completed when the part-time employee is at work after collections and deposits are made, a lack of adequate segregation of duties still exists. The Sheriff does have some compensating controls in place such as periodically reviewing daily checkout sheets, bank statements, and the receipts ledger. However, these compensating controls were not documented to a level sufficient to give auditors assurance that the risk of material misstatement due to inadequate segregation of duties was mitigated. We recommend the Sheriff’s office establish adequate segregation of duties or establish and document compensating controls implemented to offset this significant deficiency. Examples of those compensating controls include:

- The Sheriff should assign the function of depositing cash to other office staff or he should periodically compare the bank deposit to the daily checkout sheet and then compare the daily checkout sheet to the receipts ledger. He should document this by initialing the bank deposit, daily checkout sheet, and receipts ledger.
- The Sheriff should reconcile monthly reports to source documents and receipts and disbursement ledgers. This should be documented by initialing the monthly reports and ledgers. The Sheriff could also assign the function of comparing reports to source documents and ledgers to other office staff.
- The Sheriff should periodically compare the bank reconciliation to the balance in the checkbook. The Sheriff should document this by initialing the bank reconciliation and the balance in the checkbook.
- All deposit slips should include checks received from customers listed individually.

*Sheriff's response: Copies of each check is included with daily report. A daily receipt book is also kept, but hereafter we will list checks separately.*

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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