



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2017 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.

Auditing standards require the auditor's letter to communicate whether the financial statement presents fairly the receipts, disbursements, and excess fees of the Caldwell County Sheriff in accordance with accounting principles generally accepted in the United States of America. The sheriff's financial statement 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 noncompliance with laws, regulations, contracts, and grants. The auditor must also comment on material weaknesses involving internal control over financial operations and reporting.

The audit contains the following comment:

The Caldwell County Sheriff's Office lacks adequate segregation of duties: This is a repeat finding included in the prior year audit report as Finding 2016-001. The Caldwell County Sheriff's Office does not have a properly designed segregation of duties. The sheriff's bookkeeper performs all accounting functions of the office, including collecting payments from customers, writing checks, posting transactions to ledgers, preparing monthly bank reconciliations, and preparing monthly reports. According to the sheriff, this condition is a result of a limited budget, which restricts the number of employees the sheriff can hire or delegate duties to. The lack of segregation of duties or sufficient oversight could result in the undetected misappropriation of assets and

inaccurate financial reporting to external agencies, such as the Department for Local Government. To help offset this lack of segregation of duties, the sheriff has implemented compensating controls including management oversight. However, these controls were not in place for most of the year.

Proper segregation of duties or the implementation of compensating controls, is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

To offset this lack of segregation of duties, the sheriff should separate the duties involved in receiving cash, writing checks, posting to the ledgers, preparing bank reconciliations, and comparing financial reports to documentation. If this is not feasible, cross-checking procedures should be implemented and documented by the individual performing the procedure.

Sheriff's Response: Our agency adopted new procedures in September of 2017 after recommendation of auditor.

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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