



Auditor of Public Accounts
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Harmon Releases Audit of Former Lee County Sheriff's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2022 financial statement of former 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.

Auditing standards require the auditor's letter to communicate whether the financial statement presents fairly the receipts, disbursements and excess fees of the former Lee County Sheriff in accordance with accounting principles generally accepted in the United States of America. The former sheriff's financial statement did not follow this format. However, the former 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 the internal control over financial operations and reporting.

The audit contains the following finding:

The former Lee County Sheriff's financial statement was materially misstated: The former sheriff's calendar year 2022 annual settlement was materially misstated. Receipt activity that occurred after September was not added to the former sheriff's financial statement, this resulted in \$224,512 being added to receipts. Since the sheriff's office is fee pooling the fiscal court pays all operating expenses, disbursements were posted to the ledgers that the former sheriff did not pay resulting in \$88,341 that had to be removed from the ledgers.

The former sheriff did not include the fourth quarter activity to the financial statement for receipts and posted disbursements to the ledgers that they didn't pay. The former sheriff did not have proper controls in place nor adequate oversight to ensure the settlement was properly recorded when leaving office. A materially misstated fourth quarter financial report could result in an increased risk of uncorrected errors, theft, loss, or misappropriated assets.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The Department for Local Government's (DLG) *County Budget Preparation & State Local Finance Officer Policy Manual* requires the sheriff to prepare a quarterly report which includes all receipts and disbursements the sheriff collected and paid during the calendar year. KRS 134.160(3) states, in part, "[a]ll payments received by the sheriff shall be entered immediately by the sheriff on his or her books."

Good internal controls dictate that all transactions should be properly recorded and agree to the ledgers to produce an accurate representation of the financial activity.

We recommend improving procedures over financial reporting to ensure all transactions are properly recorded and financial statements are materially stated.

Former Sheriff's Response: The former official did not provide a response.

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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