



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2019 financial statement of Crittenden County Sheriff Wayne Agent. 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 Crittenden 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 the internal control over financial operations and reporting.

The audit contains the following comment:

The Crittenden County Sheriff failed to oversee his official accounts: The Crittenden County Sheriff failed to oversee his official account which resulted in the following deficiencies:

- The sheriff's office lacks segregation of duties.
- The sheriff's fourth quarter report was materially misstated due to several errors and the fourth quarter was not complete (see Finding 2019-002).
- The sheriff's settlement has not been presented to fiscal court (see Finding 2019-003).

- The sheriff's official accounts have a deficit for calendar year 2019 (see Finding 2019-005).
- The sheriff overspent his maximum salary order for deputies and assistants (see Finding 2019-004).
- The sheriff failed to fully repay his state advancement for calendar year 2019 (see Finding 2019-005 and the Schedule of Excess Liabilities Over Assets).
- The sheriff was charged overdraft fees in his 2019 fee account and used funds from the 2020 fee account to cover the shortage (see Finding 2019-005 and the Schedule of Excess Liabilities Over Assets).
- The sheriff failed to remit the overpayment of commissions to his 2018 tax account (see Finding 2019-005 and the Schedule of Excess Liabilities Over Assets).
- The sheriff has failed to settle his 2017 fee account.

Due to the sheriff failing to oversee his official accounts, there were material misstatements on the sheriff's financial statement. The sheriff incurred overdraft fees which are not allowable expenses of the sheriff's office. Additionally, the sheriff has a deficit caused by spending funds the sheriff's office did not have.

Good internal controls would dictate that the sheriff have strong oversight over his official accounts to ensure accuracy. The segregation of duties or the implementation of compensating controls, is essential for providing protection against the misappropriation of assets and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. Funk v. Milliken, 317 S. W. 2d 499 (Ky. 1958), Kentucky's highest court ruled that county fee officials' disbursements of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not primarily personal in nature.

The sheriff has failed to implement effective internal controls over the bookkeeping and financial reporting aspects of the sheriff's office. Additionally, the sheriff has a lack of segregation of duties and failed to implement any compensating controls to offset this deficiency. We recommend the sheriff provide sufficient oversight of his official accounts by implementing effective internal controls over the bookkeeping and financial reporting aspects of the sheriff's office. If duties cannot be segregated, effective compensating controls should be established to provide for an internal system of checks and balances that reduces risks of material financial statement misstatements and eliminates ineligible expenses. The sheriff should work with the county attorney to eliminate the deficit caused by the lack of oversight of his official accounts.

County Sheriff's Response: Working on better system. With a short staff and everyone having several jobs they perform during the work day we are in the process of trying to come up with a solution.

The Crittenden County Sheriff's fourth quarter report was materially misstated: This is a repeat finding and was included in the prior year audit report as Finding 2018-002. The Crittenden County Sheriff's fourth quarter financial report was materially misstated. Miscellaneous receipts and disbursements reported on fourth quarter report were overstated by \$48,991 due to a bank error and correction being recorded. Disbursements reported for the fourth quarter were understated due

to the \$78,000 repayment of the sheriff's state advancement not being recorded. Furthermore, receipts and disbursements were understated due to the sheriff handling activity on school resource officer in a separate account and not recording receipts or disbursements on the ledgers.

In addition to being materially misstated, the Crittenden County Sheriff's fourth quarter report is not complete or accurate for the 2019 calendar year. The fourth quarter report is not signed by the sheriff or the judge/executive to notate if the fourth quarter report was approved and sent to Department for Local Government (DLG). The fourth quarter report does not include all the accounts that the sheriff's office had open as of December 31, nor a reconciliation of the accounts. The fourth quarter report included an inaccurate reconciliation of the fee account on the front page.

The DLG's *County Budget Preparation And State Local Finance Officer Policy Manual*, promulgated by KRS 68.210, requires a complete and accurate financial report be submitted quarterly to DLG. Also, good internal controls dictate that procedures be implemented to ensure the accuracy of financial reporting. The sheriff's receipts and disbursements were not accurately reported. In addition the sheriff is not in compliance with the DLG *County Budget Preparation And State Local Finance Officer Policy Manual*.

This was caused by the lack of segregation of duties and the lack of strong oversight over financial reporting by someone independent of the recording function. We recommend the Crittenden County Sheriff establish, implement, and follow procedures to ensure the quarterly financial reports are complete and accurate. We also recommend the sheriff agree amounts reported on the quarterly reports to the ledgers and bank reconciliations. Further we recommend the sheriff includes all of the accounts on the front of the fourth quarter report, along with their reconciliations as of December 31. Also the sheriff should sign the fourth quarter report to document review.

County Sheriff's Response: The sheriff did not provide a response.

The Crittenden County Sheriff failed to present an annual settlement: The Crittenden County Sheriff failed to present an annual settlement to the Crittenden County Fiscal Court by September 1st. Due to not presenting a settlement, the Crittenden County Fiscal court is not aware of the financial activities of the sheriff's office. In addition, the sheriff is not in compliance with KRS 134.192. According to the bookkeeper, this occurred due to an error discovered after year end. In addition, the sheriff did not have adequate controls or oversight in place to ensure the settlement was presented.

KRS 134.192(1) states in part, "[e]ach sheriff shall annually settle his or her accounts with the department, the county and any district for which the sheriff collects taxes on or before September 1 of each year."

KRS 134.192(11) states, "[i]n 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 or her office for official services, showing separately the total income received by his or her office for services rendered, exclusive of

his or her commissions for collecting taxes, and the funds received as commissions for collecting state, county and school taxes; and

- (b) A complete statement of all expenditures of his or her office, including his or her salary, compensation of deputies and assistants, and reasonable expenses.”

We recommend that the sheriff comply with KRS 134.192 by presenting an accurate annual settlement to the county fiscal court before or on September 1 of each year.

County Sheriff's Response: Bookkeeper found an error at end of the year and had not submitted it until error could be rectified.

The Crittenden County Sheriff overspent the maximum salary order for deputies and assistants: The Crittenden County Sheriff overspent his maximum salary limitation as fixed by the fiscal court by \$11,570. The Crittenden County Fiscal Court fixed the deputies' salary limit at \$139,550; however, the sheriff expended \$151,120. By overspending the maximum salary limitation, the sheriff spent funds on salaries that could have been spent on other expenses or turned over to fiscal court as excess fees. According to the bookkeeper, this occurred due to the failure to amend the maximum salary order when the budget was amended. In addition, this was caused by adjustments made for the school resource officer salary paid out of the school resource officer account that was not accounted for on the ledgers.

KRS 64.530(3) states in part, “[t]he fiscal court shall fix annually the maximum amount, including fringe benefits, which the officer may expend for deputies and assistants, and allow the officer to determine the number to be hired and the individual compensation of each deputy and assistant.” Additionally, good internal controls dictate that the sheriff would monitor his maximum salary order throughout the year to ensure he does not overspend it.

We recommend the Crittenden County Sheriff monitor his payroll expenditures during the year and obtain any necessary amendments, before year end.

County Sheriff's Response: The budget was amended to show increase but new form for allowable expenditures was not presented.

The Crittenden County Sheriff's 2019 fee account has a deficit of \$6,457: The Crittenden County Sheriff's 2019 fee account has a deficit of \$6,457 as of December 31, 2019. This deficit was caused by the underpayment of the sheriff's state advancement by \$2,000. In addition, the sheriff was overpaid tax commissions by \$3,894 which is due back to the 2018 tax account. Furthermore, the sheriff owes the 2020 fee account \$563 due to transferring money to the 2019 fee account to cover an overdraft in May 2020. As a result, the sheriff's fee account does not have the funds needed to settle the unpaid liabilities. This occurred because of the lack of segregation of duties within the sheriff's office and the lack of oversight of the financial reporting functions.

KRS 134.192(1) states in part “[e]ach sheriff shall annually settle his or her accounts with the department, the county, and any district for which the sheriff collects taxes on or before September 1 of each year.” In addition, good internal controls dictate the sheriff would implement oversight

over the financial reporting to ensure the correct amount of collections and distributions are being made from his accounts.

We recommend that the sheriff consult with the Crittenden County Attorney to determine the steps that need to be taken in order to fully eliminate the deficit.

County Sheriff's Response: Money was paid over to fiscal court before bill was paid.

Auditor's Reply: The deficit was caused by the sheriff's office spending more funds than the sheriff's office received during 2019 and bookkeeping errors. The only funds remitted to fiscal court at year end were for KLEFPF receipts totaling \$1,597 that were owed to the fiscal court's payroll account. No excess fees were remitted to the fiscal court.

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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