

**REPORT OF THE AUDIT OF THE
CRITTENDEN COUNTY
SHERIFF**

**For The Year Ended
December 31, 2019**



**MIKE HARMON
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Perry Newcom, Crittenden County Judge/Executive
The Honorable Wayne Agent, Crittenden County Sheriff
Members of the Crittenden County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Sheriff of Crittenden County, Kentucky, for the year ended December 31, 2019, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



The Honorable Perry Newcom, Crittenden County Judge/Executive
The Honorable Wayne Agent, Crittenden County Sheriff
Members of the Crittenden County Fiscal Court

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Crittenden County Sheriff on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Crittenden County Sheriff, as of December 31, 2019, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the Crittenden County Sheriff for the year ended December 31, 2019, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole. The Schedule of Excess Liabilities Over Assets is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated in all material respects in relation to the financial statement taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2020, on our consideration of the Crittenden County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Crittenden County Sheriff's internal control over financial reporting and compliance.

The Honorable Perry Newcom, Crittenden County Judge/Executive
The Honorable Wayne Agent, Crittenden County Sheriff
Members of the Crittenden County Fiscal Court

Other Reporting Required by *Government Auditing Standards* (Continued)

Based on the results of our audit, we have presented the accompanying Schedule of Findings and Responses, included herein, which discusses the following report comment:

- 2019-001 The Crittenden County Sheriff Failed To Oversee His Official Accounts
- 2019-002 The Crittenden County Sheriff's Fourth Quarter Financial Report Was Materially Misstated
- 2019-003 The Crittenden County Sheriff Failed To Present An Annual Settlement
- 2019-004 The Crittenden County Sheriff Overspent The Maximum Salary Order For Deputies And Assistants
- 2019-005 The Crittenden County Sheriff's 2019 Fee Account Has A Deficit Of \$6,457

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

October 16, 2020

CRITTENDEN COUNTY
WAYNE AGENT, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2019

Receipts

Federal Highway Safety Grant	\$	2,881	
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)			16,928
State Fees For Services:			
Finance and Administration Cabinet	\$	5,999	
Sheriff Security Service		<u>4,282</u>	10,281
Circuit Court Clerk:			
Fines and Fees Collected			4,369
Fiscal Court			280
County Clerk - Delinquent Taxes			7,053
Commission On Taxes Collected			141,400
Fees Collected For Services:			
Auto Inspections		3,075	
Accident and Police Reports		855	
Serving Papers		16,228	
Carry Concealed Deadly Weapon Permits		2,255	
Transport Prisoners		<u>688</u>	23,101
Other:			
Add-On Fees		14,160	
Miscellaneous		1,163	
School Resource Officer		<u>27,725</u>	43,048
Interest Earned			196
Borrowed Money:			
State Advancement			<u>80,000</u>
Total Receipts			329,537

The accompanying notes are an integral part of this financial statement.

CRITTENDEN COUNTY
WAYNE AGENT, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2019
(Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-		
Deputies' Salaries	\$ 68,491	
Office Deputy	32,541	
Office Help	4,570	
Overtime Gross Salaries	2,881	
School Resource Officer	28,335	
KLEFPF	14,302	
Employee Benefits-		
Employer's Share Retirement	2,626	
Contracted Services-		
Advertising	105	
Computers	1,135	
Materials and Supplies-		
Office Materials and Supplies	1,276	
Uniforms	3,738	
Cell Phone	2,093	
Other Charges-		
Conventions and Travel	229	
Dues	470	
Postage	595	
Miscellaneous	658	
Capital Outlay-		
Office Equipment	<u>1,061</u>	\$ 165,106
Debt Service:		
State Advancement	78,000	
Un-repaid Portion of State Advancement	<u>2,000</u>	80,000
Other Unpaid Liabilities:		
Unpaid Liability - Commission Due To 2018 Tax Account	3,894	
Unpaid Liability - 2020 Funds Due Back To 2020 Account	<u>563</u>	<u>4,457</u>
Total Disbursements		<u>\$ 249,563</u>

The accompanying notes are an integral part of this financial statement.

CRITTENDEN COUNTY
WAYNE AGENT, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2019
(Continued)

Net Receipts	\$ 79,974
Less: Statutory Maximum	<u>82,215</u>
Excess Fees	(2,241)
Less: Training Incentive Benefit	<u>4,216</u>
Fund Balance at Completion of Audit*	<u>\$ (6,457)</u>

* - See the following Deficit Statement for the determination of this balance.

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2019

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the sheriff as determined by the audit. KRS 134.192 requires the sheriff to settle excess fees with the fiscal court at the time he files his annual settlement with the fiscal court on or before September 1 of each year. KRS 64.830 requires an outgoing sheriff to settle excess fees with the fiscal court of his county by March 15 immediately following the expiration of his term of office.

The financial statement has been prepared on a regulatory basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This basis demonstrates compliance with the laws of Kentucky and is a special purpose framework. Under this regulatory basis of accounting, receipts and disbursements are generally recognized when cash is received or disbursed, with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2019 services
- Reimbursements for 2019 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2019

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the county treasurer in the subsequent year.

C. Cash and Investments

KRS 66.480 authorizes the sheriff's office to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CRITTENDEN COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2019
 (Continued)

Note 2. Employee Retirement System and Other Post-Employment Benefits

The sheriff's office has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

The sheriff's contribution for calendar year 2017 was \$384, calendar year 2018 was \$1,675, and calendar year 2019 was \$2,626.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent of their salary to be allocated as follows: five percent will go to the member's account and one percent will go to the KRS insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute five percent of their annual creditable compensation. Nonhazardous members also contribute one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the KRS Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008, must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

The county's contribution rate for nonhazardous employees was 21.48 percent for the first half of the year and 24.06 percent for the second half of the year.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

CRITTENDEN COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2019
 (Continued)

Note 2. Employee Retirement System and Other Post-Employment Benefits (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

Years of Service	% Paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Benefits are covered under KRS 161.714 with exception of COLA and retiree health benefits after July 2003.

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous

Once members reach a minimum vesting period of 15 years, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5 percent. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5 percent cost of living adjustment (COLA) since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

Tier 2 member benefits are covered by KRS 161.714 with exception of COLA and retiree health benefits after July 2003. Tier 3 members are not covered by the same provisions.

C. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of KRS benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5 percent. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

CRITTENDEN COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2019
 (Continued)

Note 2. Employee Retirement System and Other Post-Employment Benefits (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

D. Cost of Living Adjustments - Tier 2 and Tier 3

No COLA is given unless authorized by the legislature with specific criteria. To this point, no COLA has been authorized by the legislature for Tier 2 or Tier 3 members.

E. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KRS will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

KRS Annual Financial Report and Proportionate Share Audit Report

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

KRS also issues proportionate share audit reports for both total pension liability and other post-employment benefits for CERS determined by actuarial valuation as well as each participating county's proportionate share. Both the Schedules of Employer Allocations and Pension Amounts by Employer and the Schedules of Employer Allocations and OPEB Amounts by Employer reports and the related actuarial tables are available online at <https://kyret.ky.gov>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

Note 3. Deposits

The Crittenden County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the sheriff's deposits may not be returned. The Crittenden County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of December 31, 2019, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

CRITTENDEN COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2019
 (Continued)

Note 4. Federal Highway Safety Grant

The Crittenden County Sheriff's office received a Federal Highway Safety Grant from the Kentucky Transportation Cabinet's Office of Highway Safety in the amount of \$2,881. All funds were expended during the year.

Note 5. School Resource Officer Agreement

The Crittenden County Sheriff's office entered into an agreement with the Crittenden County Board of Education to supply a School Resource Officer for the Crittenden County High School. The Board of Education is responsible for paying the salary of the School Resource Officer in the amount of hours listed in the agreement. During 2019, the Crittenden County Sheriff's office received \$27,725 from the Crittenden County Board of Education, which was used to pay the School Resource Officer's salary. As of December 31, 2019, the Crittenden County Sheriff was in compliance with the terms of the agreement.

Note 6. Short-Term Debt

The 2019 Crittenden County Sheriff's office borrowed \$80,000 for the State Advancement. The loan was repaid on March 23, 2020 in the amount of \$78,000.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
State Advancement	\$	\$ 80,000	\$ 78,000	\$ 2,000
Total Short-term Debt	<u>\$ 0</u>	<u>\$ 80,000</u>	<u>\$ 78,000</u>	<u>\$ 2,000</u>

Note 7. Lease Agreement

The Crittenden County Sheriff's office was committed to a lease agreement for a copier. The agreement requires a monthly payment of \$76.

Note 8. Drug Account

The Crittenden County Sheriff's office maintains a drug/equipment account pursuant to a court order by the local district judge. The funds are to be used for equipment, services, supplies, or other necessary items to assist in performing their official duties. The balance as of January 1, 2019, was \$633. During 2019, funds of \$1,977 were received and \$416 were expended. As of December 31, 2019, the balance was \$2,194.

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CRITTENDEN COUNTY
WAYNE AGENT, SHERIFF
SCHEDULE OF EXCESS LIABILITIES OVER ASSETS - REGULATORY BASIS

December 31, 2019

Assets

Cash in Bank		\$ 69,387
Receivables		<u>11,588</u>
 Total Assets		 80,975

Liabilities

Outstanding Checks		\$ 8
Liabilities		<u>80,967</u>
 Total Paid Obligations		 80,975

Unpaid Obligations:

State Treasurer-

State Advancement		\$ 2,000
2018 Tax Account - Commissions Overpaid		3,894
2020 Fee Account - Uniforms		<u>563</u>

Total Unpaid Obligations		<u>6,457</u>
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Total Liabilities		<u>87,432</u>
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Total Fund Deficit as of December 31, 2019		<u>\$ (6,457)</u>
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Perry Newcom, Crittenden County Judge/Executive
The Honorable Wayne Agent, Crittenden County Sheriff
Members of the Crittenden County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Crittenden County Sheriff for the year ended December 31, 2019, and the related notes to the financial statement and have issued our report thereon dated October 16, 2020. The Crittenden County Sheriff's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Crittenden County Sheriff's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Crittenden County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Crittenden County Sheriff's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2019-001, 2019-002, 2019-003, and 2019-004 to be material weaknesses.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*
(Continued)

Internal Control over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2019-005 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Crittenden County Sheriff's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2019-002, 2019-003, and 2019-004.

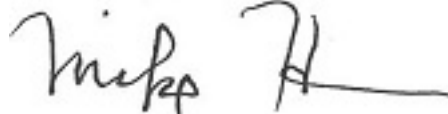
Views of Responsible Official and Planned Corrective Action

The Crittenden County Sheriff's views and planned corrective action for the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Crittenden County Sheriff's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

October 16, 2020

SCHEDULE OF FINDINGS AND RESPONSES

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CRITTENDEN COUNTY
WAYNE AGENT, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2019

FINANCIAL STATEMENT FINDINGS:

2019-001 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.

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.

CRITTENDEN COUNTY
 WAYNE AGENT, SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2019
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-002 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 Department for Local Government's (DLG) *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 the Department for Local Government. 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.

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

2019-003 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:

CRITTENDEN COUNTY
 WAYNE AGENT, SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2019
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-003 The Crittenden County Sheriff Failed To Present An Annual Settlement (Continued)

- (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.

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

2019-004 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.

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

2019-005 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.

CRITTENDEN COUNTY
WAYNE AGENT, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2019
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-005 The Crittenden County Sheriff's 2019 Fee Account Has A Deficit Of \$6,457 (Continued)

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.

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.