



Auditor of Public Accounts  
Mike Harmon

**FOR IMMEDIATE RELEASE**

**Contact: Michael Goins**  
[Michael.Goins@ky.gov](mailto:Michael.Goins@ky.gov)  
**502.564.5841**  
**502.209.2867**

### **Harmon Releases Audit of Crittenden County Sheriff's Tax Settlement**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2019 taxes for 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 sheriff's settlement presents fairly the taxes charged, credited and paid in accordance with accounting principles generally accepted in the United States of America. The sheriff's settlement is prepared on the regulatory basis, which is described in the auditor's opinion letter. Regulatory basis reporting for the sheriff's settlement is an acceptable reporting methodology, and this reporting methodology is followed for all 120 sheriff settlements in Kentucky.

The sheriff's financial statement fairly presents the taxes charged, credited and paid for the period April 16, 2019 through May 15, 2020 in conformity with the regulatory basis of accounting.

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 comments:

**The Crittenden County Sheriff's Office does not have adequate segregation of duties:** This is a repeat finding and was included in the prior year audit report as Finding 2018-001. The Crittenden County Sheriff does not have segregation of duties and does not have proper internal controls in place over the tax collection process. The bookkeeper is required to perform multiple tasks such as the collection of taxes from customers, deposit preparation, the bookkeeping functions, bank reconciliations, the preparation of monthly reports, and the preparation of checks

for disbursements. This is due to the sheriff failing to provide adequate personnel to segregate duties and failing to implement policies and procedures such as performing sufficient oversight of the bookkeeper's work.

A lack of internal control could create the opportunity for fraud to potentially take place. Segregation of duties, or the implementation of compensating controls when limited by the number of staff, 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.

We recommend the sheriff segregate the duties noted above by allowing different deputies to perform these functions. However, if those duties cannot be segregated due to a limited staff, we recommend the sheriff implement internal controls over the tax collection process such as documented management oversight of the daily checkout process, performing monthly reconciliations by comparing daily deposits and checkout sheets to bank statements and the monthly reports, documented management oversight of monthly reports and reconciliations, and comparing daily collection reports to the deposits.

*County Sheriff's Response: We are a very small department and have split certain duties through our office account. We will start to implement them into the tax account as well.*

**The Crittenden County Sheriff's tax settlement was inaccurate:** This is a repeat finding and was included in the prior year audit report as Finding 2018-002. The Crittenden County Sheriff's Tax Settlement was inaccurate and required multiple audit adjustments. The amount reported for taxes collected on the sheriff's settlement was misstated by \$5,474. The amount reported for taxes paid was misstated by \$8,788. While the amount of adjustments were not material to the financial statement, numerous adjustments were necessary to reconcile the settlement to underlying accounting records. This is a direct result of weak internal controls associated with a lack of segregation of duties and poor oversight. As a result, the tax settlement presented to and approved by fiscal court was inaccurate.

Strong internal controls dictate the sheriff provide strong oversight to ensure tax collections and distributions are reported accurately. Moreover, KRS 134.192(11) states, "[i]n counties containing a populations 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 total funds received as commissions for collecting state, county, and school taxes[.]”

We recommend that the Crittenden County Sheriff strengthen internal controls to ensure that tax collections and distributions are reported accurately on the tax settlement.

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

**The Crittenden County Sheriff failed to implement adequate internal controls over the disbursement of tax collections:** The Crittenden County Sheriff has poor internal controls over the disbursement of tax collections. The following findings were noted with Crittenden County Sheriff's disbursement of tax collections:

- Not all taxes collected were disbursed per the monthly reports. There were four reports that the sheriff failed to disburse the taxes due to each district. In addition, the sheriff failed to disburse taxes due to the library, extension, and school districts per the March monthly reports.
- There were multiple credit card online payment errors that resulted in taxes not being disbursed at all or in a timely manner to the appropriate districts.
- There were two instances where the sheriff paid the amount of tax due per the monthly reports to the wrong districts, and one instance where the sheriff failed to deduct the amount of refunds from the amount of taxes due per the report.
- The sheriff overpaid limestone, sand, and gravel property taxes due to the districts by \$87. This amount was then re-collected from the districts.
- Franchise collections for May, July, and August were not disbursed by the 10<sup>th</sup> of the month, as required by KRS 131.191.
- Commissions were overpaid to the sheriff's fee account by \$8,743, resulting in this amount due back from the fee account.

The findings listed above are a direct result of weak internal controls associated with a lack of segregation of duties and poor oversight. Because of the aforementioned findings, taxes were left vulnerable to misappropriation and loss. Also, taxing districts were denied funds that were due to them.

Strong internal controls over tax disbursements are vital in ensuring that taxes are accounted for properly. Strong internal controls are also important in safeguarding the county's assets and those given the responsibility of accounting for them, as well as helping make certain the county is in compliance with state statutes.

KRS 134.191(1) states, "[t]he sheriff shall provide monthly reports by the tenth day of each month to the chief executive of the county, the department, and any other district for which the sheriff collects taxes."

KRS 134.191(3) states, "[a]t the time of making the report, the sheriff shall pay to the county treasurer or other officer designated by the governing body of a county, to the department, and to any other district for which the sheriff collects taxes, all funds belonging to the county, the state, or the district that were collected during the period covered by the report."

We recommend the Crittenden County Sheriff strengthen internal controls to ensure tax collections and distributions are accounted for properly and abide by the applicable statutes surrounding property tax collections and distributions.

*County Sheriff's Response: We are looking into ways to make this more efficient.*

**The Crittenden County Sheriff has a \$3,048 deficit in his 2019 tax account:** The sheriff has a deficit of \$3,048 in his official 2019 tax account. This occurred because of a lack of internal controls in place to ensure all tax monies due the tax account were properly billed, collected, and deposited and all payments were properly paid.

As a result, the sheriff's tax account did not receive all monies due, which resulted in the sheriff's office not having the funds needed to settle 2019 taxes as detailed in the Schedule of Excess Liabilities over Assets. As collector of taxes, the sheriff assumes full responsibility for all tax collections and complete distribution of these collections to the proper taxing authority. KRS 134.192 requires the sheriff to settle his or her accounts annually, with each taxing district for which he or she collects taxes.

We recommend the sheriff deposit personal funds of \$3,048 into his 2019 tax account in order to settle his 2019 taxes in accordance with the Schedule of Excess Liabilities over Assets.

*County Sheriff's Response: The money for this account was deposited in the wrong account and this will be fixed.*

**The Crittenden County Sheriff failed to completely settle taxes associated with the 2016, 2017, and 2018 tax years:** The Crittenden County Sheriff failed to completely settle the 2016, 2017, and 2018 tax accounts. Per prior year audits, there are outstanding receivables and liabilities that need to be collected and paid out to the appropriate districts. This is due to districts not responding to the requests for refunds for overpayments sent out by the sheriff's office, and the sheriff's failure to pay out the amounts that have been collected.

Failing to properly settle taxes at the conclusion of the tax year has resulted in taxing districts being denied funds, and the sheriff not acting in compliance with KRS 134.192. Strong internal controls require management to monitor tax year settlements and collect or disburse any amounts due in a timely manner.

In addition, 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... The annual settlement of the sheriff shall be audited in accordance with KRS 43.070 and 64.810."

We recommend that the sheriff settle taxes associated with tax year 2016, 2017, and 2018 by collecting all uncollected receivables and paying all unpaid obligations as detailed on the determination of fund balances.

*County Sheriff's Response: We have been unable to settle these accounts at this time due to a couple of districts not refunding the amounts that were due back the sheriff's office. We are looking into some sort of corrective action on this matter.*

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](#).

###

*The Auditor of Public Accounts ensures that public resources are protected, accurately valued, properly accounted for, and effectively employed to raise the quality of life of Kentuckians.*

*Call 1-800-KY-ALERT or visit our website to report suspected waste and abuse.*

