



**Auditor of Public Accounts
Mike Harmon**

FOR IMMEDIATE RELEASE

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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2021 taxes for former 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 former 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 former sheriff's settlement is prepared on the regulatory basis, which is described in the auditor's opinion letter. Regulatory basis reporting for the former sheriff's settlement is an acceptable reporting methodology, and this reporting methodology is followed for all 120 sheriff settlements in Kentucky.

The former sheriff's financial statement fairly presents the taxes charged, credited and paid for the period April 16, 2021 through August 31, 2022 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 findings:

The former Crittenden County Sheriff failed to settle taxes for the past five tax years: This is a repeat finding and was included in the prior year audit report as Finding 2020-001. The former Crittenden County Sheriff has failed to settle the prior five years of tax collections in a

timely manner. At the conclusion of each audit, auditors provided the former sheriff a detailed breakdown of the amounts due to the sheriff's office and amounts the former sheriff owed in order to close out each tax year; however, the former sheriff has not taken proper action to settle these accounts. The following table summarizes the total amount of receivables and liabilities of the former sheriff's tax accounts:

	TY 2016	TY 2017	TY 2018	TY 2019	TY 2020	TOTALS
Reconciled Cash Balance - August 31, 2022	\$	\$ 2,870	\$ 1,689	\$ 2,783	\$ 9,137	\$ 16,479
NET ASSETS		2,870	1,689	2,783	9,137	16,479
RECEIVABLES:						
2016 Tax Year	6,740					6,740
2017 Tax Year		1,406				1,406
2018 Tax Year			4,806			4,806
2019 Tax Year				4,151		4,151
2020 Tax Year					247	247
TOTAL RECEIVABLES	6,740	1,406	4,806	4,151	247	17,350
UNPAID LIABILITIES						
Taxing Districts -						
2016 Tax Year	6,526					6,526
2017 Tax Year		4,475				4,475
2018 Tax Year			3,291			3,291
2019 Tax Year				6,098		6,098
2020 Tax Year					9,317	9,317
TOTAL UNPAID LIABILITIES	6,526	4,475	3,291	6,098	9,317	29,707
Ending Balance - August 31, 2022	\$ 214	\$ (199)	\$ 3,204	\$ 836	\$ 67	\$ 4,122

The amounts that make up the receivables and liabilities of the individual tax accounts are listed in the following tables:

Tax Year 2016

Assets

Reconciled Cash Balance as of August 31, 2022 \$ 0

Receivables:

Taxing Districts -

State	\$ 900	
County	52	
School	<u>3,315</u>	\$ 4,267

Escrow Account 2,196

2017 Tax Account 277

Total Assets \$ 6,740

Liabilities

Unpaid Obligations:

Interest Due School 44

Fee Account -

Interest Due Fee Account	4
Commissions Due Fee Account	4,416
Sheriff's Add-on Fees	2,033
Miscellaneous	<u>29</u>

Total Unpaid Obligations 6,526

Total Fund Balance as of August 31, 2022 \$ 214

Tax Year 2017

Assets

Reconciled Cash Balance as of August 31, 2022 \$ 2,870

Receivables:

Taxing Districts -

State	\$	3	
School		901	
Crittenden VFD		29	
Salem VFD		<u>58</u>	991

Escrow Account -

Amt transferred to Escrow in error		<u>415</u>	<u>1,406</u>
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Total Assets \$ 4,276

Liabilities

Unpaid Obligations:

Taxing Districts -

Library		\$	33
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Interest Due School			7
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Fee Account -

Current Year Interest Earned		12	
Fee Account		<u>4,146</u>	4,158

2016 Tax Account		<u>277</u>	
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Total Unpaid Obligations 4,475

Total Fund (Deficit) as of August 31, 2022 \$ (199)

Tax Year 2018

Assets

Reconciled Cash Balance as of August 31, 2022 \$ 1,689

Receivables:

Taxing Districts -

State	\$ 34	
School	<u>795</u>	\$ 829

Fee Account -

Tax Commissions	3,894		
Check Charges	63		
Dormant Acct Fees	<u>20</u>	<u>3,977</u>	<u>4,806</u>

Total Assets \$ 6,495

Liabilities

Unpaid Obligations:

Taxing Districts -

Health	\$ 1,408	
Extension	<u>1,814</u>	3,222

Interest Due School 59

Fee Account - Current Year Interest 10

Total Unpaid Obligations 3,291

Total Fund Balance as of August 31, 2022 \$ 3,204

Tax Year 2019

Assets

Reconciled Cash Balance as of August 31, 2022		\$	2,783
Receivables:			
Taxing Districts -			
Salem VFD	\$	32	
School Commission		192	
Fee Account - Tax Commissions		<u>3,927</u>	<u>4,151</u>
Total Assets			6,934

Liabilities

Unpaid Obligations:			
Taxing Districts -			
School	\$	3,015	
Extension		3,007	
Tradewater		<u>5</u>	6,027
Interest Due School			36
Fee Account - Current Year Interest		<u>35</u>	
Total Unpaid Obligations			<u>6,098</u>
Total Fund Balance as of August 31, 2022			<u><u>\$ 836</u></u>

Tax Year 2020

Assets

Reconciled Cash Balance as of August 31, 2022 \$ 9,137

Receivables:

Taxing Districts -

State	\$	7	
School		155	
Library		<u>33</u>	\$ 195

Fee Account - Dormant Fees		<u>52</u>	<u>247</u>
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Total Assets \$ 9,384

Liabilities

Unpaid Obligations:

Taxing Districts -

Salem Fire			90
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Fee Account -

Current Year Interest		34	
Tax Commissions Due Fee Account		4,994	
Sheriff's Add-on Fees Due Fee Account		4,194	
Returned Check Fees Due Fee Account		<u>5</u>	<u>9,227</u>

Total Unpaid Obligations			<u>9,317</u>
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Total Fund Balance as of August 31, 2022 \$ 67

Because the former sheriff has failed to settle property taxes associated with tax years 2016, 2017, 2018, 2019, and 2020 amounts due to taxpayers and taxing districts have not been paid, and the former sheriff is not in compliance with KRS 134.192. KRS 134.192(2)(b) states, “[t]he sheriff shall settle his or her accounts with the county, the school district, and any other taxing district for which he or she collects taxes.” KRS 134.192(7) states, in part, “[o]n the final settlement, the sheriff shall pay to the county treasurer all money that remains in his or her hands attributable to amounts charged against the sheriff relating to the collection of property taxes... The sheriff shall pay any additional amounts charged against him or her as a result of the settlement.”

The proper distribution of prior years’ taxes collected by the Crittenden County Sheriff’s Office requires the collection of these receivables, including overpayments to some taxing districts, and the payment of these funds to the appropriate taxing districts, fee account, or other taxpayers.

Effective internal controls should be in place to ensure compliance with state regulations and that all tax years have been properly settled.

According to the former sheriff's bookkeeper, this is due to districts not responding to the sheriff's office's requests for refunds for overpayments. In addition, this is due to the former sheriff's failure to distribute amounts that have been collected.

We recommend the former sheriff settle taxes associated with prior years by collecting all receivables and paying all liabilities. Any uncashed checks should be escrowed, and the remaining surplus should be paid to fiscal court. Once prior year taxes have been properly settled, the former sheriff should close the respective tax accounts.

Former Sheriff's Response: We have at this time closed all accounts.

The former Crittenden County Sheriff lacked adequate segregation of duties: This is a repeat finding and was included in the prior year audit report as Finding 2020-002. The former Crittenden County Sheriff's office lacked adequate segregation of duties and did not have proper internal controls in place over the tax collection process. The bookkeeper was required to perform multiple tasks such as: collecting taxes from customers, preparing deposits, reconciling the bank accounts, processing monthly reports, and preparing and signing checks for disbursements. No reviews of the bookkeeper's work were documented.

A lack of segregation of duties or strong oversight increases the risk that errors or fraud could have occurred and not been detected. The former sheriff failed to implement any internal control procedures or provide adequate oversight of the financial operations of the sheriff's office.

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 Crittenden County Sheriff's Office 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, strong management oversight by the sheriff or designee should be performed. This oversight should include reviewing daily checkout sheets and deposits, reviewing monthly tax reports, and reviewing the monthly bank reconciliations. Documentation, such as the sheriff's or a designee's initials or signature should be provided on those items that are reviewed. Dual signatures should also be required on all checks.

Former Sheriff's Response: We have since hired other people to help eliminate this comment.

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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