

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

**For The Year Ended
December 31, 2022**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

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

Report on the Audit of the Financial Statement

Opinions

We have audited the accompanying Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the former Sheriff of Crittenden County, Kentucky, for the year ended December 31, 2022, and the related notes to the financial statement.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statement presents fairly, in all material respects, the receipts, disbursements, and excess fees of the former Crittenden County Sheriff for the year ended December 31, 2022, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

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 section of our report, the financial statement does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the former Crittenden County Sheriff, as of December 31, 2022, or changes in financial position or cash flows thereof for the year then ended.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Audit Program for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the former Crittenden County Sheriff and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



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

Basis for Opinion (Continued)

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 former 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 and budget laws, 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 and pervasive.

Responsibilities of Management 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 Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit 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 former Crittenden County Sheriff's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the former Crittenden County Sheriff's ability to continue as a going concern for a reasonable period of time.

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

Auditor's Responsibilities for the Audit of the Financial Statement (Continued)

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we have identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2023, on our consideration of the former 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 effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the former Crittenden County Sheriff's internal control over financial reporting and compliance.

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

- 2022-001 The Former Crittenden County Sheriff's Office Did Not Have Adequate Segregation Of Duties
- 2022-002 The Former Crittenden County Sheriff's Fourth Quarter Financial Statement Was Materially Misstated
- 2022-003 The Former Crittenden County Sheriff's Office Failed To Submit An Annual Settlement To The Fiscal Court For Approval
- 2022-004 The Former Crittenden County Sheriff's Office Did Not Have Adequate Segregation Of Duties Over The Drug Fund

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
Frankfort, KY

July 28, 2023

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

For The Year Ended December 31, 2022

Receipts

Federal:

Federal Highway Safety Grant	\$	1,369
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State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)		19,525
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State Fees For Services:

Finance and Administration Cabinet	\$ 3,955	
Sheriff Security Service	4,149	8,104

Circuit Court Clerk:

Fines and Fees Collected		926
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Fiscal Court		101,452
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County Clerk - Delinquent Taxes		7,259
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Commission On Taxes Collected		120,927
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Fees Collected For Services:

Auto Inspections	2,775	
Accident and Police Reports	656	
Serving Papers	13,173	
Carry Concealed Deadly Weapon Permits	2,345	18,949

Other:

Add-On Fees	12,721	
Miscellaneous	5,493	
School Resource Officer Pay	13,500	31,714

Interest Earned		148
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Total Receipts		310,373
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The accompanying notes are an integral part of this financial statement.

CRITTENDEN COUNTY
WAYNE AGENT, FORMER SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2022
(Continued)

Net Receipts	\$ 310,373
Less: Statutory Maximum	<u>91,237</u>
Excess Fees	219,136
Less: Training Incentive Benefit	<u>4,679</u>
Excess Fees Due County for 2022	214,457
Payments to Fiscal Court - Monthly	<u>214,457</u>
Balance Due Fiscal Court at Completion of Audit	<u>\$ 0</u>

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

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2022

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 pay to the governing body of the county any fees, commissions, and other income of his or her office, including income from investments, which exceed the sum of his or her maximum salary as permitted by the Constitution and other reasonable expenses, including compensation of deputies and assistants by March 15 of each year. KRS 64.830 requires an outgoing sheriff to make a final settlement 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) as of December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2022 services
- Reimbursements for 2022 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2022

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, 2022
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Fee Pooling

The Crittenden County Sheriff's office was required by the fiscal court to participate in a fee pooling system. Fee officials who are required to participate in fee pooling deposit all funds collected into their official operating account. The fee official is responsible for paying all amounts collected for others. Residual funds are then paid to the county treasurer on a monthly basis. Invoices are submitted to the county treasurer to document operating expenses. The fiscal court pays all operating expenses for the fee official.

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

The sheriff's office elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Kentucky Public Pensions Authority (KPPA). 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.

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 CERS 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 CERS 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 26.95 percent for the first six months and 26.79 percent for the last six months.

CRITTENDEN COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2022
 (Continued)

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

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:

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 78.5536.

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

Once members reach a minimum vesting period of 15 years, they 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 78.5536. 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 Kentucky Retirement Systems 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, 2022
 (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.

Kentucky Retirement System Annual Financial Report and Proportionate Share Audit Report

Kentucky Retirement System 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.

Kentucky Retirement System 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 former Crittenden County Sheriff maintained deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The DLG Manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected 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. These requirements were met.

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 former Crittenden County Sheriff did not have a deposit policy for custodial credit risk, but rather followed the requirements of the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of December 31, 2022, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2022
(Continued)

Note 4. Federal Highway Safety Grant

The Crittenden County Sheriff's office received a Federal Highway Safety Grant from the Kentucky Transportation Cabinet in the amount of \$1,369. 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 Crittenden County High School. The board of education is responsible for paying the salary for the number of hours listed in the agreement. During 2022, the Crittenden County Sheriff's office received \$13,500 from the Crittenden County Board of Education which was used to pay the school resource officer's salary.

Note 6. On Behalf Payments

The Crittenden County Sheriff's office is required by the fiscal court to participate in a fee pooling system. Since the sheriff is fee pooling, the fiscal court pays the sheriff's statutory maximum and training incentive as reflected on the sheriff's financial statement. For the year ended December 31, 2022, the fiscal court's contributions recognized by the former sheriff included the amounts that were based on the statutory maximum as required by KRS 64.5275. The former Crittenden County Sheriff recognized receipts from the fiscal court and disbursements for the statutory maximum of \$91,237 and training incentive of \$4,679 for the year ended December 31, 2022.

Note 7. Drug Account

The Crittenden County Sheriff's office maintained a drug/equipment account pursuant to a court order by the local district judge. The funds were to be used for equipment, services, supplies, or other necessary items to assist in performing official duties. On January 1, 2022, the beginning balance of the account was \$5,106. During the year, receipts totaled \$3,790 and disbursements totaled \$8,896. As of December 31, 2022, the ending balance of the account was \$0.

Note 8. Fiduciary Account – Escrow Account

The former Crittenden County Sheriff deposited outstanding checks into an interest-bearing custodial account. The beginning balance of the account was \$4,431. During the year, deposits totaled \$208, and there were no disbursements. As of December 31, 2022, the ending balance of the account was \$4,639 which was owed to the fiscal court as surplus. As of July 28, 2023, the former sheriff has paid the surplus to the Crittenden County Fiscal Court, and the account has been closed.

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

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

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

We have audited, 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 Program for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky, the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the former Crittenden County Sheriff for the year ended December 31, 2022, and the related notes to the financial statement and have issued our report thereon dated July 28, 2023. The former 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.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the former Crittenden County Sheriff's internal control over financial reporting (internal control) as a basis for designing 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 former Crittenden County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the former Crittenden County Sheriff's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting 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 2022-001 and 2022-002 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)

Report on 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 2022-004 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the former 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 financial statement. 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 2022-002 and 2022-003.

Views of Responsible Official and Planned Corrective Action

Government Auditing Standards requires the auditor to perform limited procedures on the former Crittenden County Sheriff's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The former Crittenden County Sheriff's responses were not subjected to the other auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the responses.

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,

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

Mike Harmon
Auditor of Public Accounts
Frankfort, KY

July 28, 2023

SCHEDULE OF FINDINGS AND RESPONSES

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CRITTENDEN COUNTY
WAYNE AGENT, FORMER SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2022

FINANCIAL STATEMENT FINDINGS:

2022-001 The Former Crittenden County Sheriff's Office Did Not Have Adequate Segregation Of Duties

The former Crittenden County Sheriff's office lacked adequate segregation of duties. The bookkeeper performed all accounting functions of the office, including collecting cash, preparing deposits, preparing checks, posting transactions to the ledgers, reconciling the bank accounts, and preparing quarterly reports. To help reduce the risks associated with the lack of segregation of duties, the former sheriff implemented some compensating controls. For instance, the office clerk and the former sheriff took turns completing daily checkout sheets and reviewing each other's work. They also took turns reviewing reconciliations. However, these compensating controls did not sufficiently reduce the risks associated with the lack of segregation of duties.

The lack of segregation of duties or strong oversight increased the risk of material misstatement. 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.

According to staff, the not having segregation of duties was caused by the diversity of operations with a limited number of staff.

We recommend the sheriff's office allow different deputies to perform these functions. For those duties that could not be segregated due to a limited number of staff, the sheriff's office should have stronger management oversight over accounting functions to reduce the risk of material misstatement.

Former Sheriff's Response: The department has always been small and we did our best to split things up and find other ways to correct this comment.

2022-002 The Former Crittenden County Sheriff's Fourth Quarter Financial Statement Was Materially Misstated

The former Crittenden County Sheriff's Fourth Quarter Financial Statement was not accurate. Outstanding receivables and unpaid obligations reported on the financial statement were misstated by \$22,033.

According to staff, receipts received in January and February for the month of December were excluded from the fourth quarter financial statement because they were received after the financial statement was approved by fiscal court. The former sheriff had planned to report these receipts and the resulting excess fees on the annual settlement.

Because the amounts reported for outstanding receivables and unpaid obligations did not include all transactions, the fourth quarter financial statement was materially misstated. Thus, the financial information reported to the Department for Local Government (DLG) and the Crittenden County Fiscal Court did not reflect an accurate financial accounting of the sheriff's office.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires officials to ensure accurate and complete financial reporting. Furthermore, strong internal controls dictate that the financial report be accurate and complete.

CRITTENDEN COUNTY
 WAYNE AGENT, FORMER SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2022
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-002 The Former Crittenden County Sheriff's Fourth Quarter Financial Statement Was Materially Misstated (Continued)

We recommend the Crittenden County Sheriff's office strengthen internal controls to ensure all outstanding receivables and unpaid obligations as of December 31 are accurately reported on the fourth quarter financial statement to ensure the financial information submitted to DLG and other users is accurate and complete.

Former Sheriff's Response: Money was received a couple of months after the end of the 2022 year resulting in this comment.

2022-003 The Former Crittenden County Sheriff's Office Failed To Submit An Annual Settlement To The Fiscal Court For Approval

This is a repeat finding and was included in the prior year audit report as finding 2021-001. The former Crittenden County Sheriff's office did not submit an annual settlement to the fiscal court by March 15, as required by KRS 134.192. According to staff, this was due to an oversight, but the office prepared an annual settlement that was not approved within adequate timing.

By not submitting the annual settlement to the fiscal court, the former county sheriff is not in compliance with KRS 134.192.

KRS 134.192(11) states, in part, "[i]n counties containing a population of less than seventy thousand (70,000), the sheriff shall provide to the fiscal court by March 15 of each year a complete statement for the preceding calendar year[.]"

We recommend the Crittenden County Sheriff's office submit an annual settlement to fiscal court in accordance with KRS 134.192. We recommend that the sheriff's office ensure an annual settlement is submitted to fiscal court each year by March 15th.

Former Sheriff's Response: This was an oversight.

2022-004 The Former Crittenden County Sheriff's Office Did Not Have Adequate Segregation Of Duties Over The Drug Fund

This is a repeat finding and was included in the prior year audit report as finding 2021-002. The former Crittenden County Sheriff's office did not have adequate segregation of duties over the drug fund (equipment account). The former sheriff handled every aspect of the drug fund himself; this includes making deposits, reconciliations, keeping ledgers, and making purchases. According to staff, this condition was due to the diversity of operations and access to a limited number of staff.

The lack of segregation of duties or strong oversight increased the risk that undetected errors or fraud could have occurred. 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 daily responsibilities.

CRITTENDEN COUNTY
WAYNE AGENT, FORMER SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2022
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-004 The Former Crittenden County Sheriff's Office Did Not Have Adequate Segregation Of Duties
Over The Drug Fund

We recommend the sheriff's office segregate the duties noted above by allowing different deputies to perform those functions. For those duties that could not be segregated due to a limited number of staff, strong management oversight by the sheriff or designee could be a cost-effective alternative. This oversight could include reviewing deposits, reviewing monthly bank reconciliations, and reviewing the receipts and disbursements ledgers. Documentation of initials or signatures of the sheriff or designee could be provided on items that were reviewed. Dual signatures could be required on all checks.

Former Sheriff's Response: For 23 years this has not been an issue until the past couple. Once again the department is small and its extremely hard to get rid of comments of this nature especially with this one being an account tied to sensitive information.