



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2017 financial statement of Crittenden County Sheriff Wayne Agent. State law requires the auditor to annually audit the accounts of each county sheriff. In compliance with this law, the auditor issues two sheriff's reports each year: one reporting on the audit of the sheriff's tax account, and the other reporting on the audit of the fee account used to operate the office.

Auditing standards require the auditor's letter to communicate whether the financial statement presents fairly the receipts, disbursements and excess fees of the Crittenden County Sheriff in accordance with accounting principles generally accepted in the United States of America. The sheriff's financial statement did not follow this format. However, the sheriff's financial statement is fairly presented in conformity with the regulatory basis of accounting, which is an acceptable reporting methodology. This reporting methodology is followed for all 120 sheriff audits in Kentucky.

As part of the audit process, the auditor must comment on noncompliance with laws, regulations, contracts, and grants. The auditor must also comment on material weaknesses involving the internal control over financial operations and reporting.

The audit contains the following comments:

The Crittenden County Sheriff failed to maintain minimum accounting records: The sheriff failed to maintain minimum accounting records. The following deficiencies were noted over record keeping.

- Numerous posting errors were noted on the receipts and disbursements ledgers.
- Deposits were made into the wrong bank account.
- Deposits were omitted or posted multiple times on the ledgers.

- Invoices were not effectively canceled.
- Invoices were not paid within 30 days.
- Two signatures were not required on checks.
- Endorsements are not reviewed.
- Payroll for two pay periods was paid out of the wrong account.
- Checkout procedures were not performed on a daily basis.
- A breakdown of cash and check was not documented on checkout sheets.
- Fees received on the Kentucky Law Enforcement Foundation Program Fund (KLEFPF) were not properly accounted for.

The sheriff failed to establish, implement, and follow control procedures to ensure accurate financial reporting. The sheriff's financial report for calendar year 2017 was not properly supported by the underlining financial records.

KRS 64.100 states, "[e]ach sheriff shall keep an accurate account of all fees collected by him from all sources." Additionally, KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. This uniform system of accounts, as outlined in the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*, requires fee officials to maintain minimum accounting records by making daily deposits, performing monthly bank reconciliations, making all disbursements by check only, no prepayment of goods, services and no contributions, and utilization of daily check-out sheets.

KRS 134.160 states:

- (2) (a) The sheriff shall keep an accurate account of all moneys received and all disbursements made, showing:
 1. The amount;
 2. The date and time of payment or disbursement;
 3. The name of the person making the payment or to whom the disbursement was made; and
 4. The account the payment was credited to or the disbursement deducted from.
- (b) The sheriff shall maintain records that account for separate and distinct appropriations in separate and distinct accounts.
- (c) The sheriff shall balance all accounts on a monthly basis unless otherwise provided by law. The cost of maintaining records and accounts in whatever form shall be paid for as other county records.
- (3) All payments received by the sheriff shall be entered immediately by the sheriff on his or her books. The sheriff may provide a receipt specifying the amount and to what account the payment was credited to the person making the payment.
- (4) The sheriff shall obtain a receipt for all disbursements made by the sheriff.

Finally, strong internal controls dictate that procedures be implemented and documented to ensure accurate financial reporting by completing daily checkout sheets include a breakdown of cash and checks, making daily deposits, approving all disbursements by initialing invoice and requiring two signatures on checks, reviewing monthly bank reconciliations, and agree amounts reported on quarterly reports to the receipts and disbursements ledgers.

We recommend the sheriff implement and document internal controls over maintaining accounting records to ensure compliance with state regulations.

Sheriff's Response: We are taking steps to rectify this by changing procedures, making sure cash and or check is written on receipts, getting the backs of the checks to check endorsements that are written to our vendors, and will start the process for two signatures on the checks.

The Crittenden County Sheriff failed to ensure the quarterly financial report was complete and accurate: The sheriff failed to establish, implement, and follow procedures to ensure the accuracy of his annual financial report. The following deficiencies were noted over financial reporting.

- The financial report did not include the sheriff's approved budget – the budget was overspent by \$12,877. (See Finding 2017-004)
- The financial report was not properly reconciled to the ledgers.
- The financial report was submitted to the state three months late.
- The financial report did not include a lease/liability section.
- The financial report did not include reconciliations for all funds as required.
- Amount reported as excess fees did not agree to excess fees paid.

Due to poor record keeping and no oversight, the aforementioned deficiencies were allowed to occur and were not corrected. Since a complete and accurate financial report was not submitted, the sheriff's financial statement as of December 31, 2017, was not accurate or complete.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. This uniform system of accounts, as outlined in the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*, requires a complete and accurate financial report be submitted quarterly to DLG. Also, good internal controls dictate that procedures be implemented to ensure the accuracy of financial reporting.

We recommend the 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 quarterly reports to the ledgers and bank reconciliations.

Sheriff's Response: We will make sure to include all accounts on the quarterly reports and that the lease page is included in the report.

The Crittenden County Sheriff's Office lacks adequate segregation of duties: This is a repeat finding and was included in the prior year report as Finding 2016-001. For calendar year 2017, the Crittenden County Sheriff's Office lacked adequate segregation of duties. The bookkeeper performed all accounting functions such as collecting cash, performing checkout procedures, preparing deposits, writing checks, posting to ledgers, and bank reconciliations. This is due to the sheriff's office not having enough personnel to segregate duties and by failing to implement and document any compensating controls previously recommended. A lack of segregation of duties

or strong oversight could result in undetected errors which would lead to inaccurate financial reporting. (See Findings 2017-001 and 2017-002)

Segregating accounting functions 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. For those duties that cannot be segregated due to a limited number staff, strong management oversight by the sheriff or designee should be performed. This oversight should include reviewing daily checkout sheets and deposits, approving all disbursements by having dual signatures, and reviewing monthly bank reconciliations.

Sheriff's Response: We have a small department and we are trying to be compliant with the auditing standards on this issue.

The Crittenden County Sheriff overspent His approved budget by \$12,877 for calendar year 2017: This is a repeat finding and was included in the prior year report as Finding 2016-005. The sheriff's disbursements exceeded the approved budgeted disbursements for calendar year 2017 by \$12,877. The Crittenden County Fiscal Court approved the sheriff's total expenses for the year at \$250,430. The sheriff expended \$263,307. While this was primarily due to the sheriff not properly budgeting for his salary and training fringe benefit, which are mandated expenditures, the sheriff also overspent on multiple other line-item categories.

The sheriff failed to monitor the budget and request budget amendments when the budget was exceed. The approved budget is not include on quarterly financial reports and budgeted amounts are not compared to actual expenses. The sheriff's office exceeded the approved budget and failed to request budget amendment.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. This uniform system of accounts, as outlined in the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* requires the fiscal court to approve a calendar year budget for each fee office as a component of the county's budget preparation process by January 15th of each year. Strong internal controls dictate that budgeted disbursements be compared to actual disbursements throughout the year and request budget amendments when actual amounts exceed budgeted amounts.

We recommend that the sheriff monitor his budget throughout the year and make any budget appropriation transfers or amendments, as necessary to not exceed the budget.

Sheriff's Response: We will also make sure amendments are done by the last fiscal court meeting of the year.

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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