



Auditor of Public Accounts
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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 – 2018 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 17, 2018 through April 15, 2019 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 lacks adequate segregation of duties: This is a repeat finding and was included in the prior year audit report as Finding 2017-001. The Crittenden County Sheriff lacks 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.

To adequately protect against the misappropriation of assets and financial reporting, the sheriff should 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.

Sheriff's Response: We are still making changes to get this off the audit findings we are a very small dept.

The Crittenden County Sheriff's tax settlement was inaccurate: 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 \$18,036. The amount reported for taxes paid was misstated by \$17,163. Also, the fire acres portion of the settlement did not total correctly. 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 the fiscal court was inaccurate. Strong internal controls dictate the sheriff provide strong oversight to ensure that tax collections and distributions are reported accurately. Moreover, 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:

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

Sheriff's Response: Error in formula that calculated the amounts. Already found error and corrected it.

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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