



Auditor of Public Accounts  
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### Harmon Releases Audit of Former Henry County Sheriff's Fee Account

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2017 financial statement of former Henry County Sheriff Danny Cravens. 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 former Henry County Sheriff in accordance with accounting principles generally accepted in the United States of America. The former sheriff's financial statement did not follow this format. However, the former 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 former sheriff overspent his approved budget:** This is a repeat finding from the prior year audit as Finding 2016-001. During our audit, we noted the former Henry County Sheriff's operating disbursements exceeded the budget approved by the Henry County Fiscal Court. The former Henry County Sheriff's operating disbursement's budget was not monitored throughout the year. The Henry County Fiscal Court approved the former sheriff's budget for operating disbursements of \$687,288; however, the former sheriff expended \$727,103.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The state local finance officer 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 15 of each year.

We recommend the Henry County Sheriff's office monitor their budget throughout the year and request budget amendments as necessary from the fiscal court, before year end, as required by DLG.

*Former Sheriff's Response: No response.*

**The former sheriff failed to have a written agreement in place to ensure deposits were sufficiently collateralized:** The former sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). The former sheriff failed to have a written security agreement in place to pledge or provide sufficient collateral. On October 31, 2017 and December 31, 2017, the former sheriff's deposits of public funds were uninsured and unsecured in the amount of \$5,938,751 and \$837,548, respectively.

The former sheriff was not in compliance with KRS requirements on having a written security agreement in place to pledge or provide sufficient collateral. The former sheriff's deposits would have been at risk on October 31, 2017 and December 31, 2017, should the financial institution have failed:

According to KRS 66.480(1)(d) and KRS 41.240(4), financial institutions maintaining deposits of public funds are required to pledge securities or provide surety bonds as collateral to secure these deposits if the amounts on deposit exceed the amount of insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC).

We recommend the sheriff's office require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times. Additionally, we recommend the sheriff's office enter into a written agreement with the depository institution to secure the sheriff's office interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (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

*Former Sheriff's Response: No response.*

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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