



Auditor of Public Accounts  
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**FOR IMMEDIATE RELEASE**

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**Harmon Releases Audit of Crittenden County Sheriff's Office**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2015 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 non-compliance 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 segregation of duties over accounting functions.** The sheriff's bookkeeper collects payments from customers, prepares deposits, writes checks, posts transactions to the receipts and disbursements ledgers, prepares monthly bank reconciliations, and prepares all monthly and quarterly reports.

The sheriff's bookkeeper performs all accounting functions without any documented independent review. A lack of oversight could result in the undetected misappropriation of assets

and inaccurate financial reporting to external agencies, such as the Department for Local Government.

The segregation of duties, or the implementation of compensating controls is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

The sheriff should separate the duties involved in receiving cash, preparing deposits, writing checks, posting to ledgers, preparing monthly bank reconciliations, and comparing financial reports to ledgers. If this is not feasible, cross-checking procedures should be implemented and documented by the individual performing the procedure.

*Sheriff's response: No Response*

**The sheriff had weak internal controls over daily checkout procedures and receipts.** Receipts were not prepared in triplicate. The numerical order of receipts was not properly accounted for. A breakdown of cash and check amounts collected was not maintained. Recapped receipts issued by the sheriff's office show \$165 more of receipts than was deposited into the sheriff's official fee account. The recap of receipts also yielded several audit reclassifications.

There is no documented oversight by the sheriff over the collection of, issuance of, or recording of receipts. The sheriff is not in compliance with KRS 64.100 and KRS 68.840, and has an unexplained cash shortage of \$165.

KRS 64.100 states "[e]ach sheriff shall keep an accurate account of all fees collected by him from all sources." Additionally, KRS 68.840(2) states: "One (1) copy of the receipt shall be given to the person paying the fine, forfeiture, tax, or fee and one (1) copy shall be retained by the official for his own records. One (1) copy of the receipt shall be retained by the official to be placed with the daily bank deposit." Strong internal controls over receipts are essential in ensuring that all receipts are accounted for and recorded properly. Failure to implement adequate controls could result in the misappropriation of assets.

The sheriff should require receipts be prepared in triplicate, the numerical order of receipts should be properly accounted for, and a breakdown of cash and check amounts collected should be maintained. The sheriff should review and re-add daily check out sheets. Daily check out sheet totals should be traced to the receipts ledger. The sheriff should determine that all receipts are properly accounted for and deposited into the sheriff's official fee account.

*Sheriff's response: \$65 of this amount was found early on when it was put in with the tax money by mistake. We were trying to use receipts up before opening the new box.*

**The Crittenden County Sheriff did not implement internal controls over disbursements.** There is no documented review by the sheriff of disbursements made from his fee account. Invoices are not effectively cancelled to prevent duplicate payments. The backs of checks are not

received from the bank to verify endorsement. Also, there was only one signature required for fee account disbursements and it was not the sheriff's.

The sheriff failed to properly provide oversight of disbursements. Due to the lack of oversight, the following non-compliances occurred:

- One part-time employee was paid from the fee account without running the disbursement through payroll. Therefore, applicable payroll taxes were not withheld.
- Two disbursements of the twelve disbursements tested were paid after 30 days.
- One disbursement for jury meals had no supporting documentation.
- Monies were paid from the fee account to the sheriff's tax account improperly. These funds were later paid over to the fiscal court during the 2014 tax audit.
- Additionally, one disbursement for children activity cards should not have been paid from the sheriff's drug/equipment fund.

Strong internal controls over disbursements are essential to ensure that disbursements are for allowable expenses and that the correct amount of excess fees is turned over to the fiscal court. Also, KRS 65.140(2) states in part, "all bills for goods or services shall be paid within thirty (30) working days of receipt of a vendor's invoice[.]"

We recommend the sheriff implement strong internal controls and oversight for disbursements. The sheriff should approve all disbursements. This can be evidenced by initialing invoices. The sheriff should require all invoices be marked paid to prevent duplicate payment. The sheriff should also require invoices to be maintained for all disbursements. Additionally, the sheriff should ensure that employee pay be processed through proper payroll procedures. The sheriff should ensure that all payments from the fee account are for allowable office and law enforcement expenses. The sheriff should require all bills be paid within 30 days in accordance with KRS 65.140(2).

*Sheriff's response: Supporting documents were found for jury meals. Money paid from fee to tax account was pd. for an exoneration and was collected from districts to be put back in.*

**The sheriff's tax commissions were not accounted for properly.** The sheriff's fee account was shorted \$4,072 in tax commissions for calendar year 2015. October 2015 franchise commissions were paid to the sheriff's office for all districts except the school. The bookkeeper failed to pay the rest of the districts until February 2016. In April 2015, school commissions were deposited into the 2014-2015 tax account and never paid to the 2015 fee account. Additional commissions were due to the fee account from the tax account and the school district based on the 2014 tax audit. The April 2015 school commission and additional commissions due per the 2015 tax audit were paid to the fiscal court in 2016. Because of these errors, the sheriff's office was denied \$4,072 of income to operate the sheriff's office.

KRS 64.100 states "[e]ach sheriff shall keep an accurate account of all fees collected by him from all sources." Also, KRS 134.191(1) requires the sheriff to "provide monthly reports by the tenth day of each month to the chief executive of the county, the department, and any other district for which the sheriff collects taxes."

We recommend the sheriff require tax commissions be properly collected and deposited into the sheriff's fee account.

*Sheriff's response: We were told to collect money from certain districts & distribute them we had to wait for all money to come in before distributing.*

**The Crittenden County Sheriff overspent the approved budget for calendar year 2015.** The sheriff's disbursements exceeded his approved budgeted disbursements for calendar year 2015 by \$1,701. The sheriff did not adequately monitor disbursements to ensure he would not exceed his approved budget. Failure to monitor the budget shows a lack of fiscal responsibility and places public funds at risk.

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 15th of each year. KRS 68.210 states that the "administration of the county uniform budget system shall be under the supervision of the state local finance officer who may inspect and shall supervise the administration of accounts and financial operations and shall prescribe. . . a system of uniform accounts for all counties and county officials."

We recommend the sheriff not make disbursements that exceed his approved budget. The sheriff should monitor his budget throughout the year and request budget amendments sufficient to cover actual expenses as necessary.

*Sheriff's response: We were under the impression that it was estimated so we wouldn't have to amend it. We will monitor this closer.*

**The Crittenden County Sheriff's payroll exceeded the maximum salary order approved by fiscal court.** The sheriff's 2015 maximum salary order was approved for \$93,000. The sheriff spent \$96,970 on employee salaries. The sheriff spent \$3,970 more on payroll than was approved by the fiscal court.

The sheriff failed to monitor payroll costs and did not amend the salary order that was overspent due to payroll timing issues. The fiscal court was denied \$3,970 of general funds. The sheriff's office was denied these additional funds due to not obtaining a budget amendment.

KRS 64.530(3) states "[t]he fiscal court shall fix annually the reasonable maximum amount, including fringe benefits, which the officer may expend for deputies and assistants, and allow the officer to determine the number to be hired and the individual compensation of each deputy and assistant."

We recommend the sheriff monitor payroll costs in order to be in compliance with the maximum salary order set in accordance with KRS 64.530(3).

*Sheriff's response: This was done due to prior year audit recommendations.*

Auditor reply: The Sheriff's response indicates that this finding resulted from a prior year audit recommendation, although a review of prior year audits does not identify any recommendation that would result in exceeding established salary limits. We would like to reiterate that the sheriff should monitor payroll costs to avoid exceeding the limits established by the fiscal court.

**The sheriff failed to timely submit the 2015 fourth quarter financial report.** The Crittenden County Sheriff's calendar year 2015 fourth quarter financial report was not submitted to the State Local Finance Officer by the 30th day following the close of the fourth quarter.

The sheriff did not complete the fourth quarter financial statement until March 15, 2016. The sheriff is not in compliance with the uniform system of accounts filing requirements.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. This system of accounts requires that fee official's quarterly financial report should be submitted by the 30th day following the close of each quarter.

The sheriff should ensure that all quarterly financial reports are submitted to the State Local Finance Officer by the 30th day following the close of each quarter.

*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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