



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 – 2015 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 16, 2015 through April 15, 2016 in conformity with the regulatory basis of accounting.

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 failed to distribute franchise taxes by the tenth day of each month. Due to weak internal controls, the Crittenden County Sheriff did not distribute franchise collections by the tenth day of each month. The sheriff also did not distribute one additional bill by the tenth day of the month.

KRS 134.191(1) states, “[t]he sheriff shall 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.” KRS 134.191(3) states, “[a]t the time of making the report, the sheriff shall pay to the county treasurer or other officer designated by the governing body of a county, to the department, and to any other district for which the sheriff collects taxes, all funds belonging to the county, the state, or the district that were collected during the period covered by the report.”

Because the sheriff did not distribute franchise collections by the tenth day of the month, he is not in compliance with KRS 134.191. Furthermore, the taxing districts rely on these tax collections to provide public services, and these services could suffer as a result of not receiving tax collections in a timely manner. Therefore, we recommend the Crittenden County Sheriff ensure franchise collections are distributed by the tenth day of each month.

Sheriff's Response: We will take extra steps to correct this.

The Crittenden County Sheriff's Office lacks adequate segregation of duties. Due to a limited staff and the diversity of operations, the bookkeeper is required to perform multiple tasks such as the collection of cash from customers, deposit preparation, bookkeeping, bank reconciliations, preparation of monthly reports, the preparation of checks for disbursements, and the preparation of the annual tax settlement.

A lack of segregation of duties or strong oversight increases the risk of undetected fraud and errors. This condition is the result of a limited budget, which restricts the number of employees the sheriff can hire or delegate duties to.

Segregation of duties over these tasks, or the implementation of compensating controls when staff is limited, is essential for providing protection from asset misappropriation and helping to prevent 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, 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 limited staff size, strong oversight should be provided to the employee or employees responsible for these duties. This oversight should include the sheriff, or a designee, reviewing the daily collection report and comparing it to the daily deposit. It should also include reviewing the monthly tax reports and comparing them to the monthly bank reconciliations and tax distributions. Documentation, such as the sheriff's or designee's initials or signature, should be provided on those items that have been reviewed.

Sheriff's Response: We only have one person that works in the office and we are trying to work out a system to rectify this.

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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