



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 2020 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 does not have adequate segregation of duties: This is a repeat finding and was included in the prior year audit report as Finding 2019-001. The Crittenden County Sheriff's office does not have adequate segregation of duties. The bookkeeper is required to perform multiple tasks such as the collection of cash from customers, daily checkout procedures, deposit preparation, bookkeeping, and bank reconciliations. According to the sheriff and bookkeeper, this condition is caused by the diversity of operations with a limited number of staff.

A lack of segregation of duties or strong oversight increases the risk that undetected errors or fraud could occur. 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.

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 can be a cost effective alternative. This oversight should include reviewing daily checkout sheets and deposits, reviewing monthly bank reconciliations and the receipts and disbursements ledgers. Documentation, such as the sheriff's or a designee's initials or signature should be provided on those items that are reviewed. Dual signatures should also be required on all checks.

County Sheriff's Response: Until we can hire more people, we try to do what we can to correct this.

The Crittenden County Sheriff's fourth quarter financial statement was materially misstated: This is a repeat finding and was included in the prior year audit report as Finding 2019-002. The Crittenden County Sheriff's fourth quarter financial statement was materially misstated by \$45,592. Likewise, the sheriff's reconciliation of the fee account on the front page of the report was inaccurate. Also, the sheriff failed to report all the accounts that were open as of December 31, 2020. The aforementioned findings occurred due to weak internal controls caused by a lack of segregation of duties.

Because the sheriff's fourth quarter financial statement was materially misstated, the sheriff is not in compliance with KRS 68.210. The Department for Local Government's (DLG) *County Budget Preparation And State Local Finance Officer Policy Manual*, promulgated by KRS 68.210, requires a complete and accurate financial report be submitted quarterly to the Department for Local Government. Also, good internal controls dictate that procedures be implemented to ensure the accuracy of financial reporting.

We recommend the Crittenden County Sheriff establish, implement, and follow procedures to ensure the quarterly financial reports are complete and accurate. We also recommend the sheriff compare amounts reported on the quarterly reports to the ledgers and bank statements. Furthermore, we recommend the sheriff include all accounts, and reconciliations of those accounts, on the front page of the fourth quarter financial statement as of December 31.

County Sheriff's Response: There was some confusion about where to put receivables and expenditures after the completion of the year that is now resolved.

The Crittenden County Sheriff overspent his approved budget: The Crittenden County Sheriff overspent his approved budget by \$21,659. The sheriff obtained a budget amendment before year-end, however, the budget amendment was insufficient and did not cover total operating disbursements. The Crittenden County Fiscal Court approved the sheriff's budget in the amount of \$197,455. However, the sheriff's operating disbursements totaled \$219,114.

The sheriff's failure to monitor the recording of receipts and disbursements caused the office to disburse more money than was approved by fiscal court, thus making him noncompliant with KRS 68.210.

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, in part, "[t]he 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." Additionally, strong internal controls include monitoring disbursements and comparing them to budgeted amounts.

We recommend the Crittenden County Sheriff monitor the budget set by fiscal court to ensure that he does not spend more than what is approved. When necessary, the sheriff should make appropriation transfers or obtain a sufficient budget amendment from fiscal court before year-end.

County Sheriff's Response: A budget amendment should have been done prior to the close of the year. With funds and expenditures due to Covid and needing extra supplies and man power, it created more disbursements to meet the needs of the office.

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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