



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 – 2020 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 May 16, 2020 through April 15, 2021 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 comment:

The Crittenden County Sheriff has failed to settle taxes for the past four years: This is a repeat finding and was included in the prior year audit report as Finding 2019-005. The Crittenden County Sheriff has failed to settle the prior four years of tax collections in a timely manner. At the conclusion of each audit, auditors provided the sheriff a detailed breakdown of the amounts due to the sheriff and amounts the sheriff owes in order to close out each tax year; however, the

sheriff has not taken proper action to settle these accounts. The following table summarizes the total amount of receivables and liabilities of the sheriff's tax accounts:

	Tax Year 2016	Tax Year 2017	Tax Year 2018	Tax Year 2019	Totals
Bank Balance April 15,2021	\$	\$ 3,759	\$ 4,201	\$ 8,378	\$ 16,338
<u>Receivables:</u>					
2016 Tax Account	6,740				6,740
2017 Tax Account		2,420			2,420
2018 Tax Account			4,806		4,806
2019 Tax Account				4,183	4,183
Total Assets:	6,740	6,179	9,007	12,561	34,487
<u>Liabilities:</u>					
2016 Tax Account	6,526				6,526
2017 Tax Account		6,377			6,377
2018 Tax Account			5,803		5,803
2019 Tax Account				11,726	11,726
Total Liabilities:	6,526	6,377	5,803	11,726	30,432
Total Fund Balance (Deficit) as of April 15, 2021	<u>\$ 214</u>	<u>\$ (198)</u>	<u>\$ 3,204</u>	<u>\$ 835</u>	<u>\$ 4,055</u>

The amounts that make up the receivables and liabilities of the individual tax accounts are listed in the following tables:

2016 Tax Account

Assets

Uncollected Receivables:

Receivables Per Draft:

State	\$	900	
County		52	
School		3,315	
2018 Franchise Account		<u>2,196</u>	\$ 6,463
Due From 2017 Tax - Commissions			138
Due From 2017 Tax - 2016 Minimum Account Balance			80
Due From 17/18 Franchise			<u>59</u>

Total Assets 6,740

Liabilities

Unpaid Obligations:

Interest Due School	44
Commissions Due Fee	4,416
Add on Fees Due Fee	2,033
Due 2015 Tax Account - To Fiscal Court	28
Due Fee Account	1
Interest Due Fee Account	<u>4</u>

Total Unpaid Obligations 6,526

Total Liabilities 6,526

Total Fund Balance as of April 15, 2021 \$ 214

2017 Tax Account

Assets

Cash in Bank		
Property	\$ 2,353	
Franchise	<u>1,406</u>	\$ 3,759
Uncollected Receivables:		
Due From Fee:		
Check Order Reimbursement	117	
Overdraft Fee Reimbursement	34	
Add-On Fees - Overpaid	1,088	
Dormant Account Fees	<u>190</u>	1,429
Receivables Per Draft:		
State		3
School		901
Crittenden VFD		29
Salem VFD		<u>58</u>
Total Assets		<u>6,179</u>

Liabilities

Unpaid Obligations:		
Taxing Districts:		
Due To Fee Account:		
Tax Commissions	721	
Interest Due	26	
Commission Reimbursement Error	<u>5,323</u>	6,070
Interest Due School		7
Due 2016 Tax Account (Commissions)		138
Due 2016 Tax Account (Mineral Acct Balance)		80
Due 2016 Tax Account		59
Interest Earned Due County		<u>23</u>
Total Unpaid Obligations		6,377
Total Liabilities		<u>6,377</u>
Total Fund Deficit as of April 15, 2021		<u>\$ (198)</u>

2018 Tax Account

Assets

Cash in Bank		
Property	\$ 2,176	
Franchise	<u>2,025</u>	\$ 4,201
Uncollected Receivables:		
Due From Fee:		
Commissions	3,894	
Check Charges	63	
Dormant Account Fees	<u>20</u>	3,977
Receivables Per Draft:		
School		795
State		<u>34</u>
Total Assets		9,007

Liabilities

Unpaid Obligations:		
Taxing Districts:		
Library	181	
Health	1,408	
Extension	<u>1,814</u>	3,403
Interest Due School	59	
Interest Due Fee	52	
Interest Due County	93	
2016 money due back to escrow	<u>2,196</u>	
Total Unpaid Obligations		5,803
Total Liabilities		<u>5,803</u>
Total Fund Balance as of April 15, 2021		<u><u>\$ 3,204</u></u>

2019 Tax Account

Assets

Cash in Bank		
Property	\$ 8,453	
Franchise	<u>(75)</u>	\$ 8,378
Receivables Per Draft:		
Salem VFD 6	32	
Tolu VFD 8	32	
Daily Tax Commissions - Due from 2020 Fee Account	3,927	
Commissions Due from School	<u>192</u>	4,183
Total Assets		<u>12,561</u>

Liabilities

Unpaid Obligations Per Draft -		
Other Taxing Districts-		
County	\$ 468	
Library	4,469	
Health	119	
Extension	3,341	
Tradewater	5	
Crittenden VFD 1	65	
Caldwell Springs VFD 5	159	
Sheridan VFD 7	32	
School	3,015	
State	16	
Due 2020 Franchise Account	1	
Interest Due School	<u>36</u>	
Total Unpaid Obligations		<u>11,726</u>
Total Fund Balance as of April 15, 2021		<u>\$ 835</u>

Because the sheriff has failed to settle property taxes associated with tax years 2016, 2017, 2018, and 2019, amounts due to taxpayers and taxing districts have not been paid, and the sheriff is not in compliance with KRS 134.192. KRS 134.192(2)(b) states, “[t]he sheriff shall settle his or her accounts with the county, the school district, and any other taxing district for which he or she collects taxes.” The proper distribution of prior years’ taxes collected by the Crittenden County Sheriff’s Office requires the collection of these receivables, including overpayments to some taxing district, and the payment of these funds to the appropriate taxing districts, fee account, or other taxpayers.

According to the sheriff's bookkeeper, this is due to districts not responding to the sheriff office's requests for refunds for overpayments. In addition, this is due to the sheriff's failure to distribute amounts that have been collected.

We recommend the sheriff settle taxes associated with prior years by collecting all receivables and paying all liabilities. Any uncashed checks should be escrowed, and the remaining surplus should be paid to fiscal court. After taxes associated with prior years have been settled, the sheriff should close the respective tax accounts.

County Sheriff's Response: Due to a couple of districts we have been unable to settle these because we have not received the funds due back from them. We are currently looking into a solution for this with the help of the auditors from the State Auditor's office.

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 2019-001. The Crittenden County Sheriff lacks adequate 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: collecting taxes from customers, preparing deposits, reconciling the bank accounts, processing monthly reports, and preparing and signing checks for disbursements. 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. According to the sheriff and bookkeeper, this condition is caused by the diversity of operations with a limited number of staff.

We recommend the sheriff 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, 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 tax reports, and the reviewing the monthly bank reconciliations. 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: We are a small department and are continuously trying to make changes to adequately 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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