



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 2016 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's Office lacks adequate segregation of duties:** This is a repeat finding and was included in the prior year report as Finding 2015-001. In calendar year 2016, the Crittenden County Sheriff's office lacked adequate segregation of duties. The bookkeeper was required to perform multiple tasks such as the collection of cash from customers, daily checkout procedures, deposit preparation, check 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.

Segregation of duties or the implementation of compensating controls, when limited by the number of staff, is essential for providing protection against misappropriation of assets and inaccurate financial reporting. A lack of segregation of duties or strong oversight increases the risk of undetected errors and fraud. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

To adequately protect against misappropriation of assets and inaccurate financial reporting, we recommend the sheriff should 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 reviewed. Dual signatures should also be required on all checks.

*Sheriff's Response: We are still working on ways to remedy this with such a small department.*

**The Crittenden County Sheriff has weak internal controls and noncompliances over daily checkout procedures and receipts:** This is a repeat finding and was included in the prior year report as Finding 2015-002. The Crittenden County Sheriff has weak internal controls over the processing of receipts. The lack of a systematic approach to processing receipts resulted in the following:

- Checkout procedures were not performed daily.
- The numerical sequence of receipts was not always accounted for properly.
- A breakdown of cash and check amounts was not maintained.
- Receipts were occasionally posted to the wrong receipt category.
- Deposits were made into the wrong bank account.

Rather than implement a systematic approach for handling receipts, the sheriff relied on a single employee without sufficient documented oversight. As a result, the aforementioned findings occurred.

Strong internal controls over receipts are essential to ensure receipts are accounted for properly. Strong internal controls help prevent or detect misstatements due to error, as well as protect receipts from misappropriation. Additionally, KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. This uniform system of accounts, as outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual* requires all public officials to prepare daily checkout sheets and deposit those receipts intact and daily into a federally insured financial institution.

We recommend the sheriff strengthen internal controls over receipts by performing checkout procedures daily, properly accounting for the numerical sequence of pre-numbered receipts, maintaining a breakdown of the amounts of cash and checks collected, and making daily deposits.

We also recommend the sheriff or a designee review receipt forms and daily checkout sheets and trace amounts to the receipts ledger to verify they are posted properly.

*Sheriff's Response: The sheriff did not provide a response.*

**The Crittenden County Sheriff has weak internal controls and noncompliances over disbursements:** This is a repeat finding and was included in the prior year report as Finding 2015-003. The Crittenden County Sheriff has weak internal controls over disbursements. Invoices are not properly cancelled to prevent duplicate payment. The backs of checks are not received from the bank to verify endorsements. Also, only one signature is required for fee account disbursements, which most of the time is not the sheriff's signature. This lack of strong internal controls over disbursements resulted in the following:

- One of four disbursements tested from the drug fund had no supporting documentation.
- Four of ten disbursements tested were not paid within 30 working days.
- Payroll for January 2017 was paid from the 2016 fee account.

Rather than implement a systematic approach for handling disbursements, the sheriff relied on a single employee without sufficient oversight. As a result, the aforementioned findings occurred.

Strong internal controls over disbursements are essential to ensure disbursements are allowable, properly supported, and for the official business of the sheriff's office. Strong internal controls also help ensure compliance with state statutes, such as KRS 65.140(2), which states "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 over disbursements. The sheriff should approve all disbursements by initialing invoices and co-signing all checks. The sheriff should require invoices be maintained for all disbursements and cancelled upon payment. The sheriff should require all invoices be paid within 30 working days as required by KRS 65.140(2). And the sheriff should ensure all disbursements, particularly payroll, are paid from the proper fee account.

*Sheriff's Response: We are taking steps with our small department to rectify this.*

**The sheriff's tax commissions were not accounted for properly:** This is a repeat finding and was included in the prior year report as Finding 2015-004. The sheriff's fee account was shorted \$4,022 in tax commissions for calendar year 2016. The sheriff failed to pay over \$7,191 in commissions for 2016, including the commissions for December 2016 tax collections. This amount was offset by \$3,169 of commissions that should have been deposited into the 2015 tax account.

Rather than implement a systematic approach for handling of tax receipts and disbursements, the sheriff relied on a single employee without sufficient oversight. As a result, the sheriff's office was denied \$4,022 of income to operate the sheriff's office.

Strong internal controls over the processing of tax receipts and disbursements are essential to ensure proper amounts are collected and distributed. We recommend the sheriff implement strong internal controls over the processing of tax collections and distributions. These controls should include

management oversight that tax commissions are properly distributed to the corresponding fee account.

*Sheriff's Response: Due to the many problems and transition between various offices there were several issues with the bills that had to be corrected and unfortunately this [led] to many problems with final calculations. Many things were found after tax collections ended. With the help of a state auditor we were able to correct a lot of things that we found that were of no fault of this office.*

**The Crittenden County Sheriff overspent the approved budget for calendar year 2016:** This is a repeat finding and was included in the prior year report as Finding 2015-005. The sheriff's disbursements exceeded his approved budgeted disbursements for calendar year 2016 by \$6,744. While this was primarily due to the sheriff not properly budgeting for his salary and training fringe benefit, which are mandated expenditures, he also overspent on multiple other line-item categories.

According to the sheriff, he was under the impression the budget was an estimate, and therefore didn't monitor it closely. As a result, the sheriff did not obtain a budget amendment and overspent his budget in total and on various line items.

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. KRS 68.210 states, "[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."

We recommend the sheriff monitor his budget throughout the year and make any necessary budget appropriation transfers. If at any point during the year it appears the sheriff is going to overspend his total budget, he should obtain an approved budget amendment prior to doing so.

*Sheriff's Response: The budget is an estimated budget that is prepared and approved by the Fiscal Court. We will now make sure we do an amended report when something unforeseen happens.*

**The Crittenden County Sheriff failed to settle excess fees for 2016 as required by KRS 134.192:** The Crittenden County Sheriff failed to settle all excess fees for calendar year 2016, leaving \$7,401 in additional excess fees due to the Crittenden County Fiscal Court. Additionally, auditors found no evidence the sheriff presented his 2016 fee settlement to the fiscal court for approval.

According to staff of the sheriff's office, excess fees were not settled because of errors made after the close of the calendar year regarding cutting off receipts and disbursements associated with 2016. As a result, the sheriff was not in compliance with KRS 134.192.

KRS 134.192(11) states, "[i]n counties containing a population of less than seventy thousand (70,000), the sheriff shall file annually with his or her settlement: (a) A complete statement of all funds received by his or her office for official services, showing separately the total income received by his or her office for services rendered, exclusive of his or her commissions for collecting state, county, and school taxes; and (b) A complete statement of all expenditures of his or her office,

including his or her salary, compensation of deputies and assistants, and reasonable expenses.” KRS 134.192(12) states, “[a]t the time he or she files the statements required by subsection (11) of this section, the sheriff shall pay to the governing body of the county any fees, commissions, and other income of his or her office, including income from investments, which exceed the sum of his or her maximum salary as permitted by the Constitution and other reasonable expenses, including compensation of deputies and assistants.”

We recommend the sheriff comply with the requirements of KRS 134.192 by filing an annual settlement with the fiscal court. We also recommend the sheriff pay over to the fiscal court any and all excess fees collected by his audit at the time his settlement is presented.

*Sheriff's Response: We realized his mistake and were prepared to take care of it during the course of this audit and were asked to wait until the audit was finalized.*

Auditor's Reply: It is the sheriff's responsibility to settle excess fees in accordance with KRS 134.192.

**The Crittenden County Sheriff failed to timely submit the 2016 fourth quarter financial report:** This is a repeat finding and was included in the prior year audit report as Finding 2015-007. The Crittenden County Sheriff's calendar year 2016 fourth quarter financial report was not submitted to the State Local Finance Officer by the 30<sup>th</sup> day following the close of the fourth quarter.

The sheriff did not complete the fourth quarter financial statement until March 21, 2017. As a result, the sheriff was 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 the fee official's quarterly financial report should be submitted by the 30<sup>th</sup> day following the close of each quarter.

We recommend the sheriff comply with KRS 68.210 by ensuring all quarterly financial reports are submitted to the State Local Finance Officer by the 30<sup>th</sup> day following the close of each quarter.

*Sheriff's Response: This report was finished but failed to get sent.*

**Employees may not have been compensated properly for time worked in excess of 40 hours:** Deputies documented time worked in excess of 40 hours on a straight-time basis on their timesheets. This straight-time was then added to each deputy's compensatory leave balance. It wasn't until employees used compensatory time that the time-and-a-half adjustments were made for these hours. Since not all compensatory hours would be subject to the time and a half adjustment, auditors could not determine if it was awarded properly.

According to staff of the sheriff's office, deputies have always documented all hours worked on an hour-for-hour basis on their timesheets. The sheriff's office payroll records should include adjustments for time-and-a-half accruals.

According to KRS 337.285(1), “[n]o employer shall employ any of his employees for a work week longer than forty (40) hours, unless such employee receives compensation for his employment in excess of forty (40) hours in a work week at a rate of not less than one and one-half (1-1/2) times the hourly wage rate at which he is employed.” KRS 337.285(4) states, “[u]pon the written request by a county or city employee, made freely and without coercion, pressure, or suggestion by the employer, and upon a written agreement reached between the employer and the county or city employee before the performance of the work, a county or city employee who is not exempt from the provisions of the Federal Fair Labor Standards Act of 1938, as amended, 29 U.S.C secs 201 et seq., may be granted compensatory time in lieu of overtime pay, at the rate of not less than one and one-half (1-1/2) hours for each hour the county or city employee is authorized to work in excess of forty (40) hours in a work week.” Because auditors could not determine if employees were awarded compensatory time at a rate not less than one and one-half hours for each hour worked in excess of 40 hours in one work week, the sheriff may not have been in compliance with KRS 337.285.

We recommend the sheriff comply with the requirements of KRS 337.285 by compensating deputies with wages or compensatory time at a rate not less than one and one-half for each hour worked in excess of 40 hours in a work week.

*Sheriff's Response: Employees were compensated properly.*

Auditor's Reply: It could not be determined if employees were compensated properly for time worked. The sheriff's office should maintain adequate documentation to show compliance with KRS 337.285.

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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