

**REPORT OF THE AUDIT OF THE
CRITTENDEN COUNTY
SHERIFF**

**For The Year Ended
December 31, 2016**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Perry Newcom, Crittenden County Judge/Executive
The Honorable Wayne Agent, Crittenden County Sheriff
Members of the Crittenden County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Sheriff of Crittenden County, Kentucky, for the year ended December 31, 2016, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817

TELEPHONE 502.564.5841
FACSIMILE 502.564.2912
WWW.AUDITOR.KY.GOV

AN EQUAL OPPORTUNITY EMPLOYER M / F / D



The Honorable Perry Newcom, Crittenden County Judge/Executive
The Honorable Wayne Agent, Crittenden County Sheriff
Members of the Crittenden County Fiscal Court

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Crittenden County Sheriff on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Crittenden County Sheriff, as of December 31, 2016, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the Crittenden County Sheriff for the year ended December 31, 2016, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2018, on our consideration of the Crittenden County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

The Honorable Perry Newcom, Crittenden County Judge/Executive
The Honorable Wayne Agent, Crittenden County Sheriff
Members of the Crittenden County Fiscal Court

Other Reporting Required by *Government Auditing Standards* (Continued)

Based on the results of our audit, we have presented the accompanying Schedule of Findings and Responses, included herein, which discusses the following report comments:

- 2016-001 The Crittenden County Sheriff's Office Lacks Adequate Segregation Of Duties
- 2016-002 The Crittenden County Sheriff Has Weak Internal Controls and Noncompliances Over Daily Checkout Procedures and Receipts
- 2016-003 The Crittenden County Sheriff Has Weak Internal Controls and Noncompliances Over Disbursements
- 2016-004 The Sheriff's Tax Commissions Were Not Accounted For Properly
- 2016-005 The Crittenden County Sheriff Overspent The Approved Budget For Calendar Year 2016
- 2016-006 The Crittenden County Sheriff Failed To Settle Excess Fees For 2016 As Required By KRS 134.192
- 2016-007 The Crittenden County Sheriff Failed to Timely Submit the 2016 Fourth Quarter Financial Report
- 2016-008 Employees May Not Have Been Compensated Properly For Time Worked In Excess Of 40 Hours

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal stroke extending to the right.

Mike Harmon
Auditor of Public Accounts

May 10, 2018

CRITTENDEN COUNTY
WAYNE AGENT, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2016

Receipts

State Fees For Services:

Finance and Administration Cabinet	\$ 5,603	
Sheriff Security Service	6,121	
Cabinet For Health And Family Services	<u>169</u>	\$ 11,893

Circuit Court Clerk:

Fines and Fees Collected		7,793
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Fiscal Court

23,356

County Clerk - Delinquent Taxes

6,650

Commission On Taxes Collected

127,154

Fees Collected For Services:

Auto Inspections	2,535	
Accident and Police Reports	666	
Serving Papers	11,940	
Transport Prisoners	1,197	
Carry Concealed Deadly Weapon Permits	<u>4,539</u>	20,877

Other:

Add-on Fees	11,764	
Miscellaneous	<u>302</u>	12,066

Interest Earned

358

Borrowed Money:

State Advancement		<u>70,000</u>
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Total Receipts

280,147

The accompanying notes are an integral part of this financial statement.

CRITTENDEN COUNTY
WAYNE AGENT, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2016
(Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-		
Deputies' Salaries	\$ 63,658	
Office Deputy	30,316	
Office Help	1,472	
Contracted Services-		
Advertising	157	
Computers	2,709	
Materials and Supplies-		
Office Materials and Supplies	1,956	
Uniforms	412	
Cellular Service	2,406	
Miscellaneous	576	
Other Charges-		
Dues	430	
Postage	716	
Training	934	
Capital Outlay-		
Office Equipment	<u>1,455</u>	\$ 107,197
Debt Service:		
State Advancement		<u>70,000</u>
Total Disbursements		<u>\$ 177,197</u>
Net Receipts		102,950
Less: Statutory Maximum		<u>77,402</u>
Excess Fees		25,548
Less: Training Incentive Benefit		<u>3,969</u>
Excess Fees Due County for 2016		21,579
Payments to Fiscal Court - Various Dates		<u>14,178</u>
Balance Due Fiscal Court at Completion of Audit		<u><u>\$ 7,401</u></u>

The accompanying notes are an integral part of this financial statement.

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2016

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the sheriff as determined by the audit. KRS 134.192 requires the sheriff to settle excess fees with the fiscal court at the time he files his annual settlement with the fiscal court on or before September 1 of each year. KRS 64.830 requires an outgoing sheriff to settle excess fees with the fiscal court of his county by March 15 immediately following the expiration of his term of office.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework. Under this regulatory basis of accounting, receipts and disbursements are generally recognized when cash is received or disbursed, with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2016 services
- Reimbursements for 2016 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2016

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the county treasurer in the subsequent year.

C. Cash and Investments

KRS 66.480 authorizes the sheriff's office to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System and Other Post-Employment Benefits

The county official and employees have elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

CRITTENDEN COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2016
 (Continued)

Note 2. Employee Retirement System and Other Post-Employment Benefits (Continued)

Nonhazardous

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute six percent of their salary to be allocated as follows: five percent will go to the member's account and one percent will go to the KRS insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute five percent of their annual creditable compensation. Nonhazardous members also contribute one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008, must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

The county's contribution rate for nonhazardous employees was 17.06 percent for the first six months and 18.68 percent for the last six months.

Health Insurance Coverage

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% Paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

CRITTENDEN COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2016
 (Continued)

Note 2. Employee Retirement System and Other Post-Employment Benefits (Continued)

Health Insurance Coverage (Continued)

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Crittenden County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure the sheriff's deposits may not be returned. The Crittenden County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of December 31, 2016, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of November 14, 2016, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the sheriff's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$426,631

Note 4. Drug/Equipment Fund

The Crittenden County Sheriff's office maintained a drug/equipment fund pursuant to a court order by the local district judge. The funds are to be used for equipment, services, supplies, or other necessary items to assist in performing their official duties. The balance as of January 1, 2016 was \$466. During 2016, funds of \$2,712 were received and \$2,327 were disbursed, leaving an ending balance of \$851 as of December 31, 2016.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Perry Newcom, Crittenden County Judge/Executive
The Honorable Wayne Agent, Crittenden County Sheriff
Members of the Crittenden County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Crittenden County Sheriff for the year ended December 31, 2016, and the related notes to the financial statement and have issued our report thereon dated May 10, 2018. The Crittenden County Sheriff's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Crittenden County Sheriff's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Crittenden County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Crittenden County Sheriff's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2016-001, 2016-002, 2016-003, and 2016-004 to be material weaknesses.

209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817

TELEPHONE 502.564.5841
FACSIMILE 502.564.2912

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Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Crittenden County Sheriff's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2016-002, 2016-003, 2016-005, 2016-006, 2016-007, and 2016-008.

Views of Responsible Official and Planned Corrective Action

The Crittenden County Sheriff's views and planned corrective action for the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The sheriff's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

May 10, 2018

SCHEDULE OF FINDINGS AND RESPONSES

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CRITTENDEN COUNTY
WAYNE AGENT, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2016

FINANCIAL STATEMENT FINDINGS:

2016-001 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.

2016-002 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.

CRITTENDEN COUNTY
 WAYNE AGENT, SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2016
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-002 The Crittenden County Sheriff Has Weak Internal Controls And Noncompliances Over Daily Checkout Procedures And Receipts (Continued)

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.

2016-003 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.

CRITTENDEN COUNTY
WAYNE AGENT, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2016
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-004 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.

2016-005 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.

CRITTENDEN COUNTY
 WAYNE AGENT, SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2016
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-006 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 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.

2016-007 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 30th 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 30th 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 30th day following the close of each quarter.

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

CRITTENDEN COUNTY
WAYNE AGENT, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2016
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-008 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.