

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

**For The Year Ended
December 31, 2018**



**MIKE HARMON
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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, 2018, 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 this 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 a 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.



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 the Crittenden County Sheriff, as of December 31, 2018, 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, 2018, 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 October 7, 2019, 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 Crittenden County Sheriff'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:

- 2018-001 The Crittenden County Sheriff's Office Lacks Adequate Segregation Of Duties
- 2018-002 The Crittenden County Sheriff's Fourth Quarter Financial Statement Was Materially Misstated
- 2018-003 The Crittenden County Sheriff Has Weak Internal Controls Over Daily Checkout Procedures And Receipts
- 2018-004 The Crittenden County Sheriff Overspent His Approved Budget
- 2018-005 The Crittenden County Sheriff Has \$34 Of Disallowed Disbursements From His 2018 Fee Account

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts

October 7, 2019

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

For The Year Ended December 31, 2018

Receipts

Federal Highway Safety Grant	\$	369	
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)			10,066
State Fees For Services:			
Finance and Administration Cabinet	\$	2,729	
Sheriff Security Service		<u>3,583</u>	6,312
Circuit Court Clerk:			
Fines and Fees Collected			3,019
County Clerk - Delinquent Taxes			5,853
Commission On Taxes Collected			145,718
Fees Collected For Services:			
Auto Inspections		2,645	
Accident and Police Reports		981	
Serving Papers		15,440	
Carry Concealed Deadly Weapon Permits		7,650	
Transport Prisoners		<u>102</u>	26,818
Other:			
Add-On Fees		16,755	
Miscellaneous		5,685	
Juror Meals		223	
Resource Officer Pay		<u>14,220</u>	36,883
Interest Earned			265
Borrowed Money:			
State Advancement			<u>75,000</u>
Total Receipts			310,303

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, 2018
(Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$	70,942	
Office Deputy		31,886	
Office Help		1,472	
Overtime Gross Salaries		175	
School Resource Officer		13,550	
KLEFPF		8,391	

Employee Benefits-

Employer's Share Retirement		1,675	
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Contracted Services-

Advertising		44	
Computers		7,634	

Materials and Supplies-

Office Materials and Supplies		1,196	
Uniforms		3,114	
Cell Phone		1,893	

Other Charges-

Conventions and Travel		453	
Dues		456	
Postage		832	
Miscellaneous		563	
Juror Meals		223	

Capital Outlay-

Office Equipment		1,054	\$ 145,553
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Debt Service:

State Advancement			<u>75,000</u>
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Total Disbursements \$ 220,553

Less: Disallowed Disbursement-Overdraft Fee 34

Total Allowable Disbursements 220,519

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, 2018
(Continued)

Net Receipts	\$ 89,784
Less: Statutory Maximum	<u>80,674</u>
Excess Fees	9,110
Less: Training Incentive Benefit	<u>4,137</u>
Excess Fees Due County for 2018	4,973
Payment to Fiscal Court - August 16, 2019	<u>3,675</u>
Balance Due Fiscal Court at Completion of Audit	<u>\$ 1,298</u>

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

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2018

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 is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This basis 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 2018 services
- Reimbursements for 2018 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2018

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).

CRITTENDEN COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2018
 (Continued)

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

The sheriff's office has 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.

The sheriff's contribution for calendar year 2017 was \$384 and calendar year 2018 was \$1,675.

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 KRS Board of Directors 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 19.18 percent for the first half of the year and 21.48 percent for the second half of the year.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS 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:

CRITTENDEN COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2018
 (Continued)

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

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

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%

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.

Benefits are covered under KRS 161.714 with exception of COLA and retiree health benefits after July 2003.

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous

Once members reach a minimum vesting period of 15 years, 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 by 1.5 percent. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5 percent cost of living adjustment (COLA) since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

Tier 2 member benefits are covered by KRS 161.714 with exception of COLA and retiree health benefits after July 2003. Tier 3 members are not covered by the same provisions.

C. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of KRS benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5 percent. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2018
(Continued)

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

Other Post-Employment Benefits (OPEB) (Continued)

D. Cost of Living Adjustments - Tier 2 and Tier 3

No COLA is given unless authorized by the legislature with specific criteria. To this point, no COLA has been authorized by the legislature for Tier 2 or Tier 3 members.

E. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KRS will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

KRS Annual Financial Report and Proportionate Share Audit Report

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.

KRS also issues proportionate share audit reports for both total pension liability and other post-employment benefits for CERS determined by actuarial valuation as well as each participating county's proportionate share. Both the Schedules of Employer Allocations and Pension Amounts by Employer and the Schedules of Employer Allocations and OPEB Amounts by Employer reports and the related actuarial tables are available online at <https://kyret.ky.gov>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

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, 2018, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2018
(Continued)

Note 4. Federal Grant

The Crittenden County Sheriff's office received a Highway Safety Grant from the Department of Justice in the amount of \$369. All funds were expended during the year.

Note 5. Drug Fund

The Crittenden County Sheriff's office maintains a drug/equipment account 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, 2018, was \$466. During 2018, funds of \$1,085 were received and \$918 were disbursed, leaving an ending balance of \$633, as of December 31, 2018.

Note 6. School Resource Officer Agreement

In August of 2018, the Crittenden County Sheriff's office entered into an agreement with the Crittenden County Board of Education to supply a School Resource Officer for Crittenden County High School. The Board of Education is responsible for paying the salary of the School Resource Officer for the amount of hours listed in the agreement. During 2018, the Crittenden County Sheriff's office received \$14,220 from the Crittenden County Board of Education, which was used to pay the School Resource Officer's salary. As of December 31, 2018, the Crittenden County Sheriff was in compliance with the terms of the agreement.

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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*

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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, 2018, and the related notes to the financial statement and have issued our report thereon dated October 7, 2019. 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 and other deficiencies that we consider to be significant deficiencies.

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 2018-001, 2018-002, and 2018-003 to be material weaknesses.



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)

Internal Control over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2018-004 and 2018-005 to be significant deficiencies.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Crittenden County 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

October 7, 2019

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, 2018

INTERNAL CONTROL - MATERIAL WEAKNESSES:

2018-001 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 2017-003. The Crittenden County Sheriff's office lacks 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 of undetected errors or fraud. 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 of 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.

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

2018-002 The Crittenden County Sheriff's Fourth Quarter Financial Statement Was Materially Misstated

The Crittenden County Sheriff's Fourth Quarter Financial Statement was materially misstated by \$110,412. The sheriff's Fourth Quarter Financial Statement did not agree with the receipts and disbursements ledgers due to multiple transactions being excluded from the financial statement. The material misstatement of the Fourth Quarter Financial Statement is a direct result of the lack of segregation of duties within the sheriff's office and a lack of strong oversight by someone independent of the recording function.

Receipts and disbursements were not accurately reported. Strong internal controls dictate that someone independent of the recording function review the Fourth Quarter Financial Statement to ensure that all receipt and disbursement transactions are accurately reported.

We recommend the Crittenden County Sheriff review the receipts and disbursements ledgers and re-perform the bank reconciliations to ensure that all transactions are properly recorded. We further recommend the sheriff ensure the accuracy of the Fourth Quarter Financial Statement by comparing it to the receipts and disbursements ledgers.

Sheriff's Response: We will recheck formulas to make sure they are all in sync. The quarter runs through the year. Anything after December has always been put at the bottom of the form. This is the first year we were ever told to put it in the body of the report.

CRITTENDEN COUNTY
 WAYNE AGENT, SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2018
 (Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES: (Continued)

2018-003 The Crittenden County Sheriff Has Weak Internal Controls Over Daily Checkout Procedures and Receipts

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 or daily recording and batching of receipts were not performed on a daily basis.
- Receipts were not deposited 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.
- Amounts per one daily checkout sheet did not get deposited into the bank.

Rather than implement a systematic approach for handling receipts, the sheriff relied on a single employee without sufficient documented oversight. Receipts were exposed to an increased risk of misappropriation and errors were made when processing and posting receipts.

Strong internal controls over receipts are essential in ensuring that 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 or daily deposit records and deposit daily intact into a federally insured banking institution.

We recommend the sheriff strengthen internal controls over receipts by performing checkout procedures or daily deposit records on a daily basis, 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: We have already corrected this problem.

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES:

2018-004 The Crittenden County Sheriff Overspent His Approved Budget

This is a repeat finding and was included in the prior year audit report as finding 2017-004. The Crittenden County Sheriff overspent his approved budget by \$9,147. The Crittenden County Fiscal Court approved the sheriff's budget in the amount of \$211,406 for operating disbursements; however, the sheriff actually spent \$220,553. Furthermore, the sheriff obtained a budget amendment before the end of the year; but the amendment was insufficient. The budget was overspent as a direct result of the lack of segregation of duties within the sheriff's office and a lack of strong oversight.

The sheriff's operating disbursements exceeded the amount authorized by the fiscal court. Strong internal controls dictate that the sheriff monitor the budget closely and obtain budget amendments that are sufficient to cover all operating disbursements of the office.

CRITTENDEN COUNTY
WAYNE AGENT, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2018
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES: (Continued)

2018-004 The Crittenden County Sheriff Overspent His Approved Budget (Continued)

We recommend the sheriff strengthen internal controls to ensure that the budget is properly monitored and budget amendments are obtained if budgeted amounts will be exceeded. We further recommend the sheriff ensure budget amendments are sufficient to cover all operating disbursements.

Sheriff's Response: Things came in at the end of the year. Fiscal Court meets once a month.

2018-005 The Crittenden County Sheriff Has \$34 Of Disallowed Disbursements From His 2018 Fee Account

In January, the sheriff's fee account was overdrawn; therefore, the bank charged the sheriff \$34 of overdraft fees. Due to a lack of internal controls, checks were written for payroll even though the available account balance was not sufficient to cover the payroll liabilities. Because the account was overdrawn, the bank charged overdraft fees. Since overdraft fees do not benefit the public, the sheriff is not in compliance with Funk v. Milliken. Therefore, the overdraft fees have been disallowed.

Internal controls dictate that the balance of the fee account be closely monitored to ensure that sufficient funds are available to pay operating expenses of the office. Furthermore, in Funk v. Milliken, 317 S.W.2d 499 (Ky. 1958), Kentucky's highest court ruled that county fee officials' disbursements of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not primarily personal in nature.

Disallowed disbursements should be repaid with a deposit of personal funds; therefore, we recommend the Crittenden County Sheriff repay \$34 from his personal funds to the Crittenden County Fiscal Court.

Sheriff's Response: We are still looking to make sure this was not put in the wrong acct.