



Auditor of Public Accounts
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Edelen Releases Audit of Crittenden County Sheriff's Office

FRANKFORT, Ky. – State Auditor Adam Edelen today released the audit of the 2014 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.

Recent changes in auditing standards require the auditor's letter to communicate whether the financial statement presents fairly the revenues, expenditures and excess fees of the Crittenden County Sheriff in accordance with generally accepted accounting principles in the United States. The report found that the financial statement of the Sheriff 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 non-compliance 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 Sheriff failed to pay office obligations in a timely manner and held invoices over from prior year. There were 3 instances where invoices dated for calendar year 2013 were not paid until 2014. There was one instance where an invoice for \$2,350 was held for over 7 months before being paid.

Paying invoices in the wrong year causes misstatements to disbursements and affects the amount of excess fees being paid over to fiscal court. Holding invoices for extended periods of time can also lead to late penalties and interest being charged by vendors.

These invoices were held due to cash flow issues and a tight budget. Fiscal Court is helping to supplement the Sheriff's Office when revenue is not sufficient to cover obligations; however, there may be perceived pressure to limit the financial burden on the county.

KRS 65.140(2) states in part "all bills for goods or services shall be paid within thirty (30) working days of receipt of a vendor's invoice". By holding these invoices the Sheriff was not in compliance with this statute. He also runs the risk of misstating disbursements for the corresponding year and turning over the wrong amount of excess fees to the fiscal court as required by KRS 64.152.

We recommend that the Sheriff comply with KRS 65.140 and pay invoices within 30 working days of receiving them. If the budget or amount of cash on hand limits the ability to pay obligations on time, then we recommend that the Sheriff work to reduce obligations or have fiscal court supplement his office. We also recommend that all disbursements be paid from the fee account year in which the obligation was incurred.

Sheriff's response: We were told as long as we had an agreement with the vendor it would be fine and we had kept in contact with them to let them know what was going on.

The Sheriff's Office should remit excess fees due fiscal court upon submitting the annual fee settlement. The Sheriff did not remit excess fees due the fiscal court when making final settlement with fiscal court for calendar years 2013 and 2014. Although the Sheriff's Office had the funds to pay the fiscal court, the Sheriff did not require the bookkeeper to pay fiscal court excess fees at the time of filing the official's annual report with fiscal court. Failure to issue excess fees to the fiscal court in a timely manner would deprive the fiscal court the use of these funds for budgeted operations.

KRS 134.192(11) states "the sheriff shall file annually with his or her settlement:

- 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 taxes, and the total funds received as 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 "At 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's Office comply with KRS 134.192(11)(12) and remit excess fees due fiscal court at the time of submitting the annual fee settlement.

Sheriff's response: The Sheriff did not respond.

The Sheriff should strengthen internal controls over financial reporting in order for the quarterly financial report to be materially accurate. The Crittenden County Sheriff's Quarterly Financial Report for calendar year 2014 was materially misstated and required multiple audit adjustments. These adjustments were a result of multiple transactions being left off the receipts and disbursements ledger. Consequently, these amounts were not carried forward to the financial report. Also, the quarterly financial report was not filed in a timely manner.

Strong internal controls over the recording of receipts and disbursements are essential to ensure that receipts and disbursements journals are properly maintained and that the correct amount of excess fees is turned over to fiscal court. The Sheriff is responsible for the design and implementation of policies and procedures that will ensure receipts and disbursements are recorded properly and that financial reports are accurately stated.

We recommend the Sheriff strengthen internal control procedures over the recording of receipts and disbursements and financial reporting. Reconciliation of the bank statements to the receipts and disbursements ledgers will help ensure that all account activity is properly accounted for. Procedures should also be implemented that compare the daily checkout sheet to the batched totals of daily receipts. This amount should then be compared to the receipts ledger and the bank deposit. We also recommend that the Sheriff submit the quarterly report in a timely manner. By implementing these controls, the Sheriff can significantly reduce the risk that these types of misstatements go undetected.

Sheriff's response: The Sheriff did not respond.

The Sheriff's Office lacks adequate segregation of duties. The Sheriff's Office lacks an adequate segregation of duties. Due to a limited number of staff, the bookkeeper is required to perform multiple tasks such as the collection of cash from customers, daily checkout procedures, deposit preparation, the preparation of checks for disbursements, the bookkeeping function, and monthly bank reconciliations.

Segregation of duties over these functions, or the implementation of compensating controls because the number of staff is limited, is essential for providing protection from asset misappropriation and helping prevent inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the Sheriff implement compensating controls to reduce the risk of misappropriation of assets associated with the lack of segregation of duties. Compensating controls such as strong oversight by the Sheriff or a designee can be an effective alternative when duties cannot be segregated. This oversight should include reviewing daily checkout procedures, monthly bank reconciliations, receipts and disbursements ledgers, and quarterly reports. Documentation, such as the Sheriff or designee's initials or signature and date, should be provided on those items that have been reviewed

Sheriff's Response: The Sheriff did not respond.

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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