



Auditor of Public Accounts
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Harmon Releases Audit of Crittenden County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement-2014 taxes for Crittenden County Sheriff Wayne Agent. State law requires the auditor to annually audit the accounts of each county sheriff. In compliance with this law, the auditor issues two sheriff's reports each year: one reporting on the audit of the sheriff's tax account, and the other reporting on the audit of the fee account used to operate the office.

Auditing standards require the auditor's letter to communicate whether the sheriff's settlement presents fairly the taxes charged, credited and paid in accordance with accounting principles generally accepted in the United States of America. The sheriff's settlement is prepared on the regulatory basis, which is described in the auditor's opinion letter. Regulatory basis reporting for the sheriff's settlement is an acceptable reporting methodology, and this reporting methodology is followed for all 120 sheriff settlements in Kentucky.

The sheriff's financial statement fairly presents the taxes charged, credited and paid, for the period, April 17, 2014 through April 15, 2015 in conformity with the regulatory basis of accounting.

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's office lacks adequate segregation of duties. The sheriff's office lacks adequate segregation of duties. Inadequate segregation of duties allows one person to have a significant role in processing and recording receipts, disbursements, and cash which includes reconciling bank accounts.

Segregation of duties over these tasks and cross-training deputies, when needed because the number of staff is limited, is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties and cross-training deputies protects employees in the normal course of performing their daily responsibilities.

The sheriff's bookkeeper collected payments from customers, recorded transactions in the ledgers, prepared deposits, and reconciled the bank account. Due to the lack of adequate segregation of duties or compensating controls, misappropriation of assets, errors, and inaccurate financial reporting to external agencies could occur and not be detected.

We recommend the sheriff segregate the duties noted above, cross-train deputies to accommodate the rotation of these duties, or implement compensating controls such as designating another employee to provide knowledgeable oversight. Knowledgeable oversight would necessitate an understanding of and ability to perform those same duties if the bookkeeper were absent.

Sheriff Wayne Agent's response: Official did not respond.

The sheriff did not distribute taxes by the 10th of each month. The sheriff did not ensure that tax collections were disbursed by 10th of each month in accordance with KRS 134.191(1).

KRS 134.191(1) states that, "The sheriff shall provide monthly reports by the tenth day of each month to the chief executive of the county, the department, and any other district for which the sheriff collects taxes." Additionally, KRS 134.191(3) states, "At the time of making the report, the sheriff shall pay to the county treasurer or . . . to any other district for which the sheriff collects taxes, all funds belonging to the county, the state, or the district that were collected during the period covered by the report."

The sheriff collected \$5,434 in January 2015 and \$492 in April 2015 for franchises that have yet to be distributed. Additionally, the sheriff collected \$25,185 in franchise taxes for May 2015 that were not distributed until July 2015. Since the taxing districts rely on these tax collections to provide public services, those services could suffer as a result of not receiving the proper amount of tax collections.

We recommend that the sheriff comply with KRS 134.191 by distributing all tax collections to the appropriate taxing districts by the 10th of each month.

Sheriff Wayne Agent's response: We are going to implement new procedures to make sure this doesn't happen again.

The sheriff failed to settle tax collections for the 2012 and 2013 tax years. The 2012 and the 2013 tax collections have not yet been settled according to the determination of fund balances for those years. KRS 134.192(2)(b) states, "The sheriff shall settle his or her accounts with the county, the school district, and any other taxing district for which he or she collects taxes." The sheriff failed to ensure that tax collections for the 2012 and 2013 tax years were properly settled. Amounts due to/from taxing districts were not collected or paid. The taxing districts rely on these

tax collections to provide services, and these services could suffer as a result of not receiving the correct tax collections. We recommend that the sheriff settle his 2012 and 2013 as required by paying amounts as itemized on the attached determination of fund balance for those prior tax years.

Sheriff Wayne Agent's response: This has now been resolved.

The sheriff's office did not properly distribute interest earned on tax accounts. The sheriff's office did not distribute any interest earned on the 2014 tax collections. KRS 134.140(2) requires the sheriff to pay monthly "that part of the investment earnings for the month which are attributable to the investment of school taxes." KRS 134.140(4) requires the remaining monthly interest to be transferred to the sheriff's fee account.

During the 2014 tax year, the sheriff's office earned \$554 in interest. The sheriff did not pay the interest owed to the school of \$291 nor did the sheriff pay the \$263 interest owed to the sheriff's fee account. The sheriff's office and school district rely on these investment earnings to provide services, and these services could suffer as a result of not receiving the correct tax collections. Additionally funds could be misappropriated if not distributed properly.

We recommend the sheriff comply with KRS 134.140 by remitting interest due to the sheriff's fee account and school taxing district on a monthly basis.

Sheriff Wayne Agent's response: We are now in compliance with this finding.

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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