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### Harmon Releases Audit of Jackson County Sheriff's Fee Account

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2018 financial statement of Jackson County Sheriff Paul Hays. State law requires the auditor to annually audit the accounts of each county sheriff. In compliance with this law, the auditor issues two sheriff's reports each year: one reporting on the audit of the sheriff's tax account, and the other reporting on the audit of the fee account used to operate the office.

Auditing standards require the auditor's letter to communicate whether the financial statement presents fairly the receipts, disbursements and excess fees of the Jackson County Sheriff in accordance with accounting principles generally accepted in the United States of America. The sheriff's financial statement did not follow this format. However, the sheriff's financial statement is fairly presented in conformity with the regulatory basis of accounting, which is an acceptable reporting methodology. This reporting methodology is followed for all 120 sheriff audits in Kentucky.

As part of the audit process, the auditor must comment on noncompliance with laws, regulations, contracts, and grants. The auditor must also comment on material weaknesses involving the internal control over financial operations and reporting.

The audit contains the following comment:

**The Jackson County Sheriff's Office lacks adequate segregation of duties over receipts, bank reconciliations, and disbursements:** This is a repeat finding and was included in the prior year audit report as Finding 2017-002. The sheriff's bookkeeper is responsible for collecting receipts, preparing deposits, preparing daily checkout sheets, posting to ledgers, and performing bank reconciliations. The sheriff or another employee did not document oversight of bank reconciliations. The sheriff's bookkeeper is also responsible for preparing purchase orders, preparing checks, and signing checks. The sheriff has implemented compensating controls, including having an outside bookkeeper review monthly ledgers and bank statements and the

sheriff dual signing all deposits and checks after comparison to daily checkout sheets and invoices. However, these controls do not address the lack of segregation of duties of the same employee collecting receipts, making deposits, posting to ledgers, preparing purchase orders, and preparing checks.

According to the sheriff, the lack of segregation of duties is a result of a limited budget, which restricts the number of employees he can hire and delegate responsibilities to.

A lack of segregation of duties increases the risk of misappropriation of assets, errors, and inaccurate financial reporting to external agencies, such as the Department for Local Government (DLG). The segregation of duties over various accounting functions such as preparing deposits, preparing daily checkout sheets, and issuing cash receipts is essential for providing protection from asset misappropriation and inaccurate financial reporting. Good internal controls further dictate that duties of preparing purchase orders, preparing checks, signing checks, posting to ledgers, and reconciliations of ledgers to bank accounts be segregated. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the sheriff segregate duties over receipts, bank reconciliations, and disbursements. If segregation of duties is not feasible due to lack of staff, the sheriff should continue with, and strengthen established compensating controls to help mitigate any weakness.

*Sheriff's Response: The Jackson County Sheriff's Office operates on an extremely limited budget. This restricts the number of employees and limits our office personnel to one individual. We do not have finances to employ additional personnel for the administrative office. We attempt to maintain compensating controls by the Sheriff being responsible to pick up daily mail, review daily deposits and compare monthly bank statements against receipts. The Sheriff routinely takes deposits to the bank after review, where the funds are again accounted for by bank tellers who initials to verify compliance. Additionally, the Jackson County Sheriff's Office utilizes a CPA firm [CPA firm] to review and correct all monthly Fee Accounts.*

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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