



Auditor of Public Accounts  
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**FOR IMMEDIATE RELEASE**

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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 2019 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 comments:

**The Jackson County Sheriff's Office does not have 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 2018-001. 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 operates with a very limited budget, which restricts the number of employees and limits the ability to delegate responsibility. We have established compensating controls in the following areas:*

- 1.) *[vendor name redacted] provides monthly review of fee account to verify compliance with established accounting procedures. As such he reviews monthly ledgers and bank statements.*
- 2.) *Additional personnel are employed to assist with tax collection during the collection season. These employees work under the supervision of our office manager. They collect taxes and provide a daily checkout sheet with daily deposit. This is then verified by the office manager and the sheriff. The sheriff presents daily deposits to the [bank name redacted], who verifies deposit amounts and initials the receipts.*

**The Jackson County Sheriff overspent the annual order setting the maximum salary amount for deputies and assistants, and three budget line items for operating expenses:** The Jackson County Sheriff overspent the annual order setting the maximum salary amount for deputies and assistants. For each calendar year, the fiscal court sets a maximum salary amount that the sheriff can spend for total gross wages of deputies and assistants, including overtime wages and vacation and sick leave paid. The Jackson County Fiscal Court set the maximum amount for calendar year 2019 at \$200,000. The sheriff's office expended \$236,637 for total gross wages during calendar year 2019.

Additionally, the sheriff overspent three operating expense line items on the 2019 budget.

Prior to the fiscal court's approval of the sheriff's 2019 budget and setting of the maximum salary amount, the sheriff's office hired a school resource officer. The school resource officer's wages

are reimbursed by the local district each month and were not considered when the fiscal court set the maximum salary amount.

The three overspent line items on the 2019 budget occurred due to lack of budgetary oversight.

The sheriff's office is not in compliance with state laws and regulations. KRS 64.530(1) states in part, "...the fiscal court of each county shall fix the reasonable compensation of every county officer and employee..." Additionally, KRS 63.530(3) states in part, "...[t]he fiscal court shall fix annually the maximum amount, including fringe benefits, which the officer may expend for deputies and assistants..."

We recommend the Jackson County Sheriff ensure compliance with state laws and regulations regarding the maximum salary amount by not overspending the maximum salary amount set forth by the fiscal court and monitor the budget with consideration to operating expense line items.

*Sheriff's Response: The Jackson County Sheriff's Office has a School Resource Officer with wages reimbursed by the Jackson County Schools on a monthly basis. This was an oversight which has been corrected and will be monitored more closely in the future.*

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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