



Auditor of Public Accounts  
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### **Harmon Releases Audit of Jefferson County Sheriff's Fee Account**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2019 financial statement of Jefferson County Sheriff John Aubrey. 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 Jefferson 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 Jefferson County Sheriff's Office lacked appropriate controls over civil process fees collections resulting in theft:** The Jefferson County Sheriff's Office lacked adequate segregation of duties over civil process fees. The civil process department is located at an off-site location. Checks and balance procedures were not in place. Clerks prepared their work and turned directly into finance department cashier for deposit without adequate review or management oversight. Management acted as supervisors for accountability, payroll and other supervisory functions but did not provide adequate accountability for finances. This material weakness over controls resulted in theft totaling \$13,280.

There was a lack of financial management oversight over civil processing receipts at the off-site location. Due to the lack of adequate segregation of duties over offsite receipt collections, a Jefferson County Sheriff's employee stole civil process fee receipts.

Due to the lack of adequate controls over off-site locations and inadequate segregation of duties, a civil process department supervisor discovered that an employee had stolen \$4,320 of cash and \$8,960 in checks for a total of \$13,280 during calendar year ending December 31, 2019. The supervisor reported the incident to the sheriff. The sheriff immediately notified law enforcement and the employee was fired. The employee was charged with and pleaded not guilty to theft by unlawful taking \$10,000 or more.

The segregation of duties and management oversight over various accounting functions such as opening mail, preparing deposits, recording receipts and disbursements, and preparing monthly reports, or the implementation of strong compensating controls is essential for providing protection from asset misappropriation and inaccurate financial reporting.

We recommend the sheriff's office implement strong internal controls, adequate segregation of duties, and management oversight over off-site locations.

*County Sheriff's Response: The Jefferson County Sheriff's Office after discovering the employment theft immediately conducted a review of procedures for collecting, depositing, reconciling and safeguarding cash and/or checks received for civil and criminal process. Immediate changes were made and we are continuing to review, monitor and discuss additional changes to minimize the opportunity of an employee to misappropriate funds.*

*Some of the changes that have been implemented are an independent processing clerk must verify and initial that the cash and checks received match the processing clerk's report before the report and funds are brought to the finance department. The reports and collected funds are required to be brought either daily or by the next business day to the finance department after receipt.*

*A daily clerk deposit log has been created which list the process clerks name and date. A member of the finance department will review and reconcile the report with the funds collected. Both the finance department member and the processing clerk will initial the daily log that the reports reconcile. If the report and funds cannot be reconciled the finance department staff is required to notify the processing supervisor. Any voids or corrections of a report requires reversal by IT personnel and cannot be done by individual processing clerk. IT personnel will be required to email processing supervisor of any voids or changes to reports that they are requested to perform.*

*Reports and collected funds received from the processing clerk and checked by the finance department personnel will be taken to finance cashier for entry into the fee account system and become part of the finance cashiers daily deposit. If finance cashiers are handling other deposits, the report and collected funds are put in envelope and locked in cashiers separate drawers in vertical cabinet by the finance supervisor's office and cashier will process either that day or the beginning of the following day.*

*On a weekly basis the supervisor over the processing clerks is reviewing the daily clerk deposit log to verify that processing clerks are submitting timely their reports and collected funds. Currently the reporting system used by the processing unit is a Metro Louisville owned system. The reports generated by the system for weekly or monthly review of activity has limitations and issues. We are working on trying to see if weekly and monthly reports by processing clerk can be generated that would provide further review capabilities for the processing supervisor.*

*JCSO is now requiring that a cash receipt from receipt book be prepared by the processing clerks for each cash transaction even if attorney or other person making payment does not request a receipt or merely drops off the payment. Endorsement stamps for all employees that receive checks have been ordered and when received will be distributed to processing clerks so that all checks received will be immediately stamped with “Jefferson County Sheriff’s Office - For Deposit Only” at the initial receipt of the check instead of when received by the finance office cashier. Processing supervisor is now conducting unannounced cash and check counts and reconciliations and will also review for proper restrictive endorsement on all checks received by processing clerks and review of the cash receipt book.*

*JCSO plans to continue their review, evaluation, and internal discussions of improvements to safeguards and internal controls for cash management and detection of theft and other dishonest acts.*

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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