

**REPORT OF THE AUDIT OF THE  
JEFFERSON COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2019**



**MIKE HARMON  
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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Greg Fischer, Mayor Louisville/Jefferson County Metro Government  
The Honorable John Aubrey, Jefferson County Sheriff  
Members of the Louisville/Jefferson County Metro Council

Independent Auditor's Report

**Report on the Financial Statements**

We have audited the accompanying Statement of Receipts and Disbursements - Regulatory Basis of the Sheriff of Jefferson County, Kentucky, and the Statement of Receipts, Disbursements, and Fund Balances of the Sheriff's Operating Fund and County Fund with the State Treasurer - Regulatory Basis for the year ended December 31, 2019, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



The Honorable Greg Fischer, Mayor, Louisville/Jefferson County Metro Government  
The Honorable John Aubrey, Jefferson County Sheriff  
Members of the Louisville/Jefferson County Metro Council

**Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1 of the financial statements, the financial statements are prepared by the Jefferson County Sheriff on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky’s regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

**Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Jefferson County Sheriff, as of December 31, 2019, or changes in financial position or cash flows thereof for the year then ended.

**Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to above present fairly, in all material respects, the receipts and disbursements of the Jefferson County Sheriff and the receipts, disbursements, and fund balances of the Jefferson County Sheriff’s operating fund and county fund with the state treasurer for the year ended December 31, 2019, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2020, on our consideration of the Jefferson County Sheriff’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control over financial reporting and compliance.

Based on the results of our audit, we have presented the accompanying Schedule of Findings and Responses, included herein, which discusses the following report comment:

2019-001 The Jefferson County Sheriff’s Office Lacked Appropriate Controls Over Civil Process Fee Collections Resulting In Theft

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

December 11, 2020

JEFFERSON COUNTY  
JOHN AUBREY, SHERIFF  
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS

For The Year Ended December 31, 2019

Receipts

State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)		\$ 1,072,168
State Fees for Services:		
Attending Court	\$ 2,082,863	
Court Security	229,608	
Conveyance of Prisoners	101,098	
Sequestered Jurors	<u>8,933</u>	2,422,502
Louisville Metro Government		412,967
County Clerk - Delinquent Taxes	927,775	
County Clerk - Delinquent Taxes (Reimbursed)	<u>115,798</u>	1,043,573
Commission on Taxes	12,071,461	
Commission on Taxes - (Reimbursed)	<u>7,921,985</u>	19,993,446
Fees Collected for Services:		
Auto Inspections	358,260	
Executions	41,937	
Serving Papers	2,489,418	
Carry Concealed Deadly Weapon Permits	131,025	
Data Services	<u>25,725</u>	3,046,365
Other:		
Add-On Fees	1,151,174	
Miscellaneous	12,779	
Reimbursements	344,902	
Federal Reimbursements	91,187	
School Resource Officer Reimbursement	<u>320,000</u>	1,920,042
Interest Earned		<u>445,588</u>
Total Receipts		30,356,651

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY  
 JOHN AUBREY, SHERIFF  
 STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS  
 For The Year Ended December 31, 2019  
 (Continued)

Disbursements

Payments to State:			
Reimbursements		\$	344,902
Other Disbursements:			
Executions-Third Parties	\$	38,313	
Serving Papers-Refunds		345	
Sequestered Jurors		8,933	
Cobra Insurance & Other		91,187	
Concealed Weapon License Fees Refunds		260	139,038
			<u>139,038</u>
Total Disbursements			<u>\$ 483,940</u>
Net Receipts			29,872,711
Payments to State Treasurer:			
75% Operating Fund *		25,600,429	
25% County Fund		4,272,282	29,872,711
			<u>29,872,711</u>
Balance Due at Completion of Audit			<u><u>\$ 0</u></u>

\* Includes reimbursed expenses in the amount of \$12,783,582 for the audit period.  
 See Note 1 of Notes to Financial Statements.



JEFFERSON COUNTY  
JOHN AUBREY, SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
FUND BALANCES OF THE SHERIFF'S OPERATING FUND  
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2019

	Operating Fund	County Fund	Totals
Fund Balance - January 1, 2019	\$	\$	\$
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	25,600,429		25,600,429
Fees Paid to State - County Funds (25%)		4,272,282	4,272,282
Total Funds Available	25,600,429	4,272,282	29,872,711
<u>Disbursements</u>			
Louisville/Jefferson County Metro Government		4,272,282	4,272,282
Personal Services-			
Official's Statutory Maximum	126,485		126,485
Official's Training Incentive	4,216		4,216
Deputies' Salaries	12,620,591		12,620,591
Overtime Gross	439,470		439,470
Employee Benefits-			
Employer's Share Social Security	1,006,211		1,006,211
Employer's Share Retirement	3,020,734		3,020,734
Employer's Share Health Insurance	2,270,150		2,270,150
Employer's Share Life Insurance	3,237		3,237
Workers' Compensation	61,945		61,945
Unemployment Insurance	3,319		3,319
Retirement Arrears	2,690		2,690
Sick Leave Conversion	25,998		25,998
Contracted Services-			
Advertising	871		871
Legal Services	33,979		33,979
MIS Services	8,135		8,135

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY  
 JOHN AUBREY, SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND  
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS  
 For The Year Ended December 31, 2019  
 (Continued)

	75%	25%	
	Operating	County	
	Fund	Fund	Totals
	_____	_____	_____
<u>Disbursements (Continued)</u>			
Supplies and Materials-			
Office Materials and Supplies	\$ 173,045	\$	\$ 173,045
Printing	43,959		43,959
Uniforms	125,138		125,138
Ammunition	46,760		46,760
Computer Supplies	10,427		10,427
Other Charges-			
Bonds and Insurance	374,259		374,259
Insurance Claims	5,604		5,604
Dues	18,102		18,102
Discretionary Expenses	25,000		25,000
Postage	211,895		211,895
Fixed Telephone	43,594		43,594
Mobile Telephone	36,708		36,708
Public Relations	15,000		15,000
Communication Maintenance	13,893		13,893
Equipment Maintenance	18,362		18,362
Computer Maintenance	19,469		19,469
Office Equipment Rental	34,957		34,957
Rent	70,620		70,620
Utilities	8,899		8,899
Training & Seminars	17,399		17,399
Travel	67,221		67,221
Subscriptions	24,372		24,372
Physicals and Medical	20,021		20,021
Personal Services	14,437		14,437
Auto Expenses-			
Gasoline	342,020		342,020
Maintenance and Repairs	307,067		307,067
Vehicle Insurance	157,632		157,632
Parking	163,074		163,074

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY  
 JOHN AUBREY, SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND  
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS  
 For The Year Ended December 31, 2019  
 (Continued)

	75%	25%	
	Operating	County	
	Fund	Fund	Totals
	<u>          </u>	<u>          </u>	<u>          </u>
<u>Disbursements (Continued)</u>			
Capital Outlay-			
Computers	\$ 37,355	\$	\$ 37,355
Communication Equipment	189		189
Office Equipment	15,447		15,447
Law Enforcement Equipment	6,058		6,058
Vehicles	<u>150,850</u>		<u>150,850</u>
 Total Disbursements	 <u>22,246,864</u>	 <u>4,272,282</u>	 <u>26,519,146</u>
 Fund Balance - December 31, 2019	 <u>\$ 3,353,565</u>	 <u>\$ 0</u>	 <u>\$ 3,353,565</u>

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the sheriff as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the state treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in the sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the Louisville/Jefferson County Metro Council fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

Also, some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

The financial statements have been prepared on a regulatory basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This basis demonstrates compliance with the laws of Kentucky and is a special purpose framework. Under this regulatory basis of accounting, receipts and disbursements are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31:

- Interest receivable
- Collection on accounts due from others for 2019 services
- Reimbursements for 2019 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2019

C. Cash and Investments

KRS 66.480 authorizes the sheriff's office to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

JEFFERSON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019  
(Continued)

Note 2. Employee Retirement System and Other Post-Employment Benefits

The sheriff's office has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

The sheriff's contribution for calendar year 2017 was \$2,605,470 calendar year 2018 was \$2,704,587, and calendar year 2019 was \$3,020,734.

Nonhazardous

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent of their salary to be allocated as follows: five percent will go to the member's account and one percent will go to the KRS insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute five percent of their annual creditable compensation. Nonhazardous members also contribute one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the KRS Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008, must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

The county's contribution rate for nonhazardous employees was 21.48 percent for the first six months and 24.06 percent for the last six months.

Hazardous

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 9 percent of their salary to be allocated as follows: 8 percent will go to the member's account and 1 percent will go to the KRS insurance fund.

JEFFERSON COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2019  
 (Continued)

Note 2. Employee Retirement System and Other Post-Employment Benefits (Continued)

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan.

Members in the plan contribute a set percentage of their salary each month to their own accounts. Hazardous members contribute eight percent of their annual creditable compensation and also contribute one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A hazardous member's account is credited with a 7.5 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008, aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

The county's contribution rate for hazardous employees was 35.34 percent for the first six months and 39.58 percent for the last six months.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<b>Years of Service</b>	<b>% paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

JEFFERSON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019  
(Continued)

Note 2. Employee Retirement System and Other Post-Employment Benefits (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Benefits are covered under KRS 161.714 with exception of COLA and retiree health benefits after July 2003.

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous

Once members reach a minimum vesting period of 15 years, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5 percent. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5 percent cost of living adjustment (COLA) since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

Tier 2 member benefits are covered by KRS 161.714 with exception of COLA and retiree health benefits after July 2003. Tier 3 members are not covered by the same provisions.

C. Health Insurance Coverage - Tier 2 and Tier 3 - Hazardous

Once members reach a minimum vesting period of 15 years, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5 percent. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5 percent COLA since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

D. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of KRS benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5 percent. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

JEFFERSON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019  
(Continued)

Note 2. Employee Retirement System and Other Post-Employment Benefits (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

E. Cost of Living Adjustments - Tier 2 and Tier 3

No COLA is given unless authorized by the legislature with specific criteria. To this point, no COLA has been authorized by the legislature for Tier 2 or Tier 3 members.

F. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KRS will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

KRS Annual Financial Report and Proportionate Share Audit Report

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

KRS also issues proportionate share audit reports for both total pension liability and other post-employment benefits for CERS determined by actuarial valuation as well as each participating county's proportionate share. Both the Schedules of Employer Allocations and Pension Amounts by Employer and the Schedules of Employer Allocations and OPEB Amounts by Employer reports and the related actuarial tables are available online at <https://kyret.ky.gov>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

Note 3. Deposits

The Jefferson County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the sheriff's deposits may not be returned. The Jefferson County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of December 31, 2019, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.



JEFFERSON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019  
(Continued)

Note 4. Lease Agreement

The Jefferson County Sheriff's office entered into a lease agreement on July 18, 2018 for copiers/printers. The agreement requires monthly payments of \$1,847 for 48 months to be completed on July 18, 2022. The total remaining balance of the agreement was \$57,271 as of December 31, 2019.

Note 5. Discretionary Account

The Jefferson County Sheriff's office has established a discretionary account as provided by KRS 64.345. This fund is to cover additional expenses related to homeland security emergencies, academy graduations, retirements, state and national sheriff's conventions, and extraordinary office expenses in amounts authorized by the approving authority. The account had a beginning balance of \$62,554, receipts of \$26,436, disbursements of \$17,153, and an ending reconciled balance of \$71,837 as of December 31, 2019.

Note 6. State Forfeiture Account

The Jefferson County Sheriff's office maintains an account for receiving forfeited state drug money. This money is used to purchase law enforcement equipment. This account had a beginning balance of \$229,359, receipts of \$1,031,626, disbursements of \$516,788, and an ending reconciled balance of \$744,197 as of December 31, 2019.

Note 7. Federal Forfeiture Account

The Jefferson County Sheriff's office maintains an account used for receiving forfeited federal drug money. This money is used to purchase law enforcement equipment, for training, for drug education programs, and to make drug buys. This account had a beginning balance of \$377,679, receipts of \$493,721, disbursements of \$52,419, and an ending reconciled balance of \$818,981 as of December 31, 2019.

Note 8. IRS Forfeiture Account

The Jefferson County Sheriff's office maintains an account used for receiving forfeited federal drug money. This money is used to purchase law enforcement equipment, for training, for drug education programs, and to make drug buys. This account had a beginning balance of \$420,591, receipts of \$258,428, disbursements of \$138,137, and an ending reconciled balance of \$540,882 as of December 31, 2019.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Greg Fischer, Mayor, Louisville/Jefferson County Metro Government  
The Honorable John Aubrey, Jefferson County Sheriff  
Members of the Louisville/Jefferson County Metro Council

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statements Performed In Accordance With *Government Auditing Standards***

**Independent Auditor's Report**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts and Disbursements - Regulatory Basis of the Sheriff of Jefferson County, Kentucky, the Statement of Receipts, Disbursements, and Fund Balances of the Sheriff's Operating Fund and County Fund with the State Treasurer - Regulatory Basis for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated December 11, 2020. The Jefferson County Sheriff's financial statements are prepared on a regulatory basis of accounting, which demonstrates compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Jefferson County Sheriff's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Jefferson County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Jefferson County Sheriff's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2019-001 to be a material weakness.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With *Government Auditing Standards*  
(Continued)

### Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Jefferson County Sheriff's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance that is required to be reported under *Government Auditing Standards*.

### Views of Responsible Official and Planned Corrective Action

The Jefferson County Sheriff's views and planned corrective action for the finding identified in our audit are described in the accompanying Schedule of Findings and Responses. The Jefferson County Sheriff's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon  
Auditor of Public Accounts

December 11, 2020

## SCHEDULE OF FINDINGS AND RESPONSES

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JEFFERSON COUNTY  
JOHN AUBREY, SHERIFF  
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2019

INTERNAL CONTROL - MATERIAL WEAKNESS:

2019-001 The Jefferson County Sheriff's Office Lacked Appropriate Controls Over Civil Process Fees Collections Resulting In Theft

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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 plead 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.

*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.*

JEFFERSON COUNTY  
JOHN AUBREY, SHERIFF  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended December 31, 2019  
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESS: (Continued)

2019-001 The Jefferson County Sheriff's Office Lacked Appropriate Controls Over Civil Process Fees Collections Resulting In Theft (Continued)

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*Sheriff's Response: (Continued)*

*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.*