

**REPORT OF THE AUDIT OF THE
JACKSON COUNTY
SHERIFF**

**For The Year Ended
December 31, 2024**



**ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS
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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

The Honorable Shane Gabbard, Jackson County Judge/Executive
The Honorable Daniel Isaacs, Jackson County Sheriff
Members of the Jackson County Fiscal Court

Report on the Audit of the Financial Statement

Opinions

We have audited the accompanying Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Sheriff of Jackson County, Kentucky, for the year ended December 31, 2024, and the related notes to the financial statement.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statement presents fairly, in all material respects, the receipts, disbursements, and excess fees of the Jackson County Sheriff for the year ended December 31, 2024, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws as described in Note 1.

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 section of our report, the financial statement does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Jackson County Sheriff, as of December 31, 2024, or changes in financial position or cash flows thereof for the year then ended.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States, and the *Audit Program for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Jackson County Sheriff and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



The Honorable Shane Gabbard, Jackson County Judge/Executive
The Honorable Daniel Isaacs, Jackson County Sheriff
Members of the Jackson County Fiscal Court

Basis for Opinion (Continued)

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

As described in Note 1 of the financial statement, the financial statement is prepared by the Jackson 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 and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement 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 and pervasive.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement 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 a financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Jackson County Sheriff's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit 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 Jackson County Sheriff's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Jackson County Sheriff's ability to continue as a going concern for a reasonable period of time.

The Honorable Shane Gabbard, Jackson County Judge/Executive
The Honorable Daniel Isaacs, Jackson County Sheriff
Members of the Jackson County Fiscal Court

Auditor's Responsibilities for the Audit of the Financial Statement (Continued)

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we have identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2025, on our consideration of the Jackson 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 effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering the Jackson County Sheriff'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 findings:

- 2024-001 The Jackson County Sheriff's Office Did Not Have Adequate Segregation Of Duties Over Receipts, Bank Reconciliations, And Disbursements
- 2024-002 The Jackson County Sheriff's Office Did Not Properly Handle Receipts
- 2024-003 The Jackson County Sheriff Did Not Have Proper Controls Over The Payroll Process

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, KY

September 17, 2025

**JACKSON COUNTY
DANIEL ISAACS, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS**

For The Year Ended December 31, 2024

Receipts

State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)	\$ 34,811
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State Fees For Services:

Finance and Administration Cabinet	\$ 170,754
Sheriff Security Service	<u>8,624</u>
	179,378

Circuit Court Clerk:

Fines and Fees Collected	2,945
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Fiscal Court	7,136
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School Resource Officer	156,450
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County Clerk - Delinquent Taxes	29,307
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Commission On Taxes Collected	244,816
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Fees Collected For Services:

Auto Inspections	5,100
Accident and Police Reports	850
Serving Papers	23,912
Carry Concealed Deadly Weapon Permits	3,019
Transports	4,900
Copies	<u>653</u>
	38,434

Other:

Add-On Fees	23,052
Miscellaneous	2,395
Insufficient Funds Checks	200
SRO Vehicle	11,300
Accident Reimbursement	6,622
Telecomm Tax	<u>854</u>
	44,423

Interest Earned	170
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Borrowed Money:

State Advancement	<u>40,000</u>
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Total Receipts	777,870
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JACKSON COUNTY
 DANIEL ISAACS, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2024
 (Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$ 277,277
Part-Time Salaries	3,744
Other KLEFPF	26,489
Overtime	3,332
Court Security Salaries	178,140

Contracted Services-

Advertising	336
Vehicle Maintenance and Repairs	30,386

Materials and Supplies-

Office Materials and Supplies	13,341
Uniforms	15,917

Auto Expense-

Gasoline	57
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Other Charges-

Conventions and Travel	1,593
Dues	1,107
Postage	1,397
Miscellaneous	825

Capital Outlay-

Office Equipment	2,256
Vehicles	17,300

\$ 573,497

Debt Service:

State Advancement	<u>40,000</u>
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Total Disbursements	<u>\$ 613,497</u>
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Net Receipts	<u>164,373</u>
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Less: Statutory Maximum	<u>102,958</u>
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Excess Fees	<u>61,415</u>
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Less: Training Incentive Benefit	<u>2,576</u>
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Excess Fees Due County for 2024	<u>58,839</u>
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Payment to Fiscal Court - November 21, 2024	34,655
February 14, 2025	24,184

58,839

Balance Due Fiscal Court at Completion of Audit	<u>\$ 0</u>
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The accompanying notes are an integral part of this financial statement.

**JACKSON COUNTY
NOTES TO FINANCIAL STATEMENT**

December 31, 2024

Note 1. Summary of Significant Accounting Policies

A. Basis of Accounting

The financial statement has 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. Authority for the regulatory basis is found in Kentucky Revised Statutes (KRS).

The Department for Local Government (DLG) is the regulatory agency responsible for establishing minimum accounting requirements for local government entities. The commissioner of the DLG is designated as the state local finance officer. (KRS 68.001). The DLG must prescribe and maintain “a uniform system of accounting and reporting on the receipt, use and handling of all public funds, other than taxes, due and payable to the state” from local government entities. (KRS 46.010(1)). The state local finance officer supervises the administration of the county uniform budget system and accounts and financial operations and must prescribe a “uniform system of accounts for all counties and county officials.” (KRS 68.210). Under this authority, the DLG requires local governments to follow guidelines set forth in its *County Budget Preparation and State Local Finance Officer Policy Manual* (Manual) to meet the minimum required reporting for financial statement purposes.

The regulatory basis is outlined in the Manual and defines the measurement, presentation, disclosure, and recognition requirements for financial transactions when preparing regulatory basis financial statements. The Manual includes the standardized format for quarterly reporting to DLG.

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) as of December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2024 services
- Reimbursements for 2024 activities
- Payments due to other governmental entities for December tax and fee collections and payroll
- Payments due to vendors for goods or services provided in 2024

B. Measurement Focus and Excess Fees

The measurement focus of a fee official’s financial statement is upon current financial resources. A sheriff must remit to the fiscal court any income of his or her office, including the income from investments, that exceeds the sum of his or her maximum salary as permitted by the Constitution and other reasonable expenses, including compensation of deputies and assistants, when making his or her annual settlement. (KRS 134.192(12)). This settlement is due to the fiscal court by March 15 of each year. (KRS 134.192(11)). An outgoing sheriff shall make a final settlement with the fiscal court by March 15 immediately following the expiration of his or her term of office. (KRS 64.830). The fiscal court shall collect any amount due from the sheriff as determined by the audit. (KRS 64.820).

C. 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.

JACKSON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2024
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. 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).

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 has been governed by the CERS nine-member board of trustees since April 1, 2021. The Kentucky Public Pensions Authority (KPPA) was created by KRS 61.505, effective April 1, 2021, to provide staffing and daily administrative needs for CERS and Kentucky Retirement Systems. CERS 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, vesting requirements, and provisions are established by statute and are determined by participation date and hazardous or non-hazardous participation.

The sheriff's contribution for calendar year 2022 was \$4,440, calendar year 2023 was \$0, and calendar year 2024 was \$0. The county's contribution rate for nonhazardous employees for calendar year 2024 was 23.34% for the first six months and 19.71% for the last six months.

Other Post-Employment Benefits (OPEB)

CERS provides post-retirement health care, cost of living adjustments for all recipients of retirement benefits, and a retired member's death benefit, all determined by participation date and hazardous or non-hazardous participation.

Specific details about retiree pension and OPEB benefits can be found online at: <https://www.kyret.ky.gov/Publications>.

Kentucky Public Pension Authority's Annual Financial Report and Proportionate Share Audit Report

KPPA issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. Many of these annual reports are available online at <https://kyret.ky.gov>. Reports may also be obtained by writing the KPPA, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

KPPA 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.

JACKSON COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2024
 (Continued)

Note 3. Deposits

The Jackson County Sheriff maintained deposits of public funds with federally insured banking institutions as required by the Manual. The Manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected 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. These requirements were met.

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 Jackson County Sheriff does not have a deposit policy for custodial credit risk, but rather follows the requirements of the Manual. As of December 31, 2024, all deposits were covered by a properly executed collateral security agreement.

Note 4. Short-term Debt

The Jackson County Sheriff's Office was committed to the following short-term debt as of December 31, 2024.

	Beginning Balance	Additions	Reductions	Ending Balance
State Advancement	\$ _____	\$ 40,000	\$ 40,000	\$ _____
Total Short-term Debt	\$ 0	\$ 40,000	\$ 40,000	\$ 0

Note 5. Leases

The Jackson County Sheriff's Office was committed to the following lease agreements as of December 31, 2024:

Description	Effective Date	Length of Term	Frequency of Payments	Ending Date	Amount of Payments	Balance December 31, 2024
Leases:						
Copier	11/22/2022	60	Monthly	11/22/2027	\$ 52	\$ 1,880
Copier	9/9/2024	60	Monthly	9/9/2029	\$ 70	\$ 3,908
Tasers	5/9/2024	60	Yearly	5/9/2029	\$ 9,010	\$ 45,498

Note 6. Forfeiture Account

The Jackson County Sheriff's Office maintained an account funded by proceeds from confiscation, surrender, or sale of real personal property involved in drug related convictions. The account balance was \$4,114 on January 1, 2024. During calendar year 2024, the sheriff collected \$350 and made no disbursements, leaving a balance of \$4,464 as of December 31, 2024. The use of these funds was determined by court order granting forfeiture funds to the sheriff's office; thus, they were not included as part of excess fees.

JACKSON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2024
(Continued)

Note 7. Donation Account

The Jackson County Sheriff's Office maintains a donation account to collect private and public donations for charitable, scientific, and/or educational purposes for the sheriff's office. The account balance was \$2,699 on January 1, 2024. During calendar year 2024, the sheriff collected \$6,743 in donations and expended \$5,309. The balance in the account was \$4,133 as of December 31, 2024.

Note 8. Donation Account #2

The Jackson County Sheriff's Office maintains a second donation account for donations to be used in drug investigations. The account balance was \$3,702 on January 1, 2024. During calendar year 2024, the sheriff deposited \$7,000 and expended \$7,254. The balance of the second donation account was \$3,448 as of December 31, 2024.

Note 9. K-9 Account

The Jackson County Sheriff's Office maintained a K-9 donation account for the purchase and upkeep of a drug detection dog. The account balance was \$470 on January 1, 2024. During calendar year of 2024, the sheriff deposited \$2,063 and expended \$1,257. The balance in the account was \$1,276 as of December 31, 2024.

Note 10. Fiduciary Account - Sheriff's Evidence Holding Account

The Jackson County Sheriff deposited cash evidence into a custodial bank account. These funds are held until a resolution in the form of a court order is received. The funds are then remitted in accordance with the court order. The account had a beginning balance of \$7,677, with receipts of \$8 of interest and no disbursements for calendar year 2024. The account balance was \$7,685 as of December 31, 2024.

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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*

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ALLISON BALL AUDITOR OF PUBLIC ACCOUNTS

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*

Independent Auditor's Report

The Honorable Shane Gabbard, Jackson County Judge/Executive
The Honorable Daniel Isaacs, Jackson County Sheriff
Members of the Jackson County Fiscal Court

We have audited, 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 Program for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky, the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Jackson County Sheriff for the year ended December 31, 2024, and the related notes to the financial statement and have issued our report thereon dated September 17, 2025. The Jackson County Sheriff's financial statement is 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.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting 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 certain deficiencies in internal control that we consider to be material weaknesses.

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 statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2024-001, 2024-002, and 2024-003 to be material weaknesses.



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)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Jackson County Sheriff's financial statement is 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 financial statement. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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,



Allison Ball
Auditor of Public Accounts
Frankfort, KY

September 17, 2025

SCHEDULE OF FINDINGS AND RESPONSES

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**JACKSON COUNTY
DANIEL ISAACS, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended December 31, 2024

2024-001 The Jackson County Sheriff's Office Did 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 2023-001. The sheriff's office bookkeeper was 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 was also responsible for preparing purchase orders, preparing checks, and signing checks. The sheriff had implemented compensating controls, including 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 was a result of a limited budget, which restricted the number of employees he could hire and delegate responsibilities to.

The 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 lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as DLG. The lack of adequate segregation of duties, coupled with a lack of adequate management oversight, provides an environment in which an individual could manipulate financial records and misappropriate or misdirect county funds.

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires." The lack of segregation of duties is a basic internal control necessary to ensure the accuracy and reliability of financial reports. Segregation of duties over various accounting functions, such as opening mail, collecting receipts, preparing bank deposits, posting receipts and disbursements, preparing reports and reconciliations, or the implementation of compensating controls, 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 protects employees in the normal course of performing their daily responsibilities.

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

Sheriff's Response: The sheriff did not provide a response.

2024-002 The Jackson County Sheriff's Office Did Not Properly Handle Receipts

This is a repeat finding and was included in the prior year audit report as finding 2023-004. The Jackson County Sheriff's Office did not properly handle receipts. The following deficiencies were noted during our test of daily checkouts and test of commissions:

- All seven checkout sheets tested contained receipts from multiple days.
- Four of the seven checkout sheets tested contained receipts that were not deposited timely.

JACKSON COUNTY
DANIEL ISAACS, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2024
(Continued)

2024-002 The Jackson County Sheriff's Office Did Not Properly Handle Receipts (Continued)

In addition to the exceptions noted during testing of daily receipts, it was also noted that the sheriff did not follow up on and collect an overpayment to the Kentucky State Treasurer in the amount of \$4,655. This was a receivable resulting from an overpayment of tax in a previous year.

Per the bookkeeper, receipts issued for vehicle inspections are not always deposited with the daily checkout on the day of receipt because the inspections are performed by the sheriff or a deputy and due to the nature of their job, they are not always able to turn in that day.

Failure to batch and deposit fees collected intact or delaying depositing fees collected increases the risk of fraud and misappropriation of cash, which ultimately can result in inaccurate financial reporting. Auto inspections are primarily a cash transaction and a lack of proper controls could easily lead to the misappropriation of funds. Not collecting an outstanding receivable would result in excess fees not being turned over for use by the county.

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires." Batching and depositing fee collections daily is a basic internal control necessary to ensure the accuracy and reliability of financial reports. Collecting outstanding receivables is also an internal control necessary to secure sufficient funds for the sheriff's office and fiscal court to operate.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed the minimum accounting and reporting standards in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*. Page 64 of the manual states, "Daily deposits intact into a federally insured banking institution."

We recommend the sheriff comply with KRS 68.210 by implementing internal controls and appropriate oversight over the receipt and deposit process in his office to ensure all deposits are made intact daily as required by the Department for Local Government. For example, vehicle inspections could be paid in advance at the sheriff's office before the sheriff or deputy performs the inspections. Also, additional reviews of bank deposits assuring they agree to the correct daily deposit and correct year fee account ledger can be instituted. These reviews should be completed by an individual not responsible for the initial deposit and posting to the ledgers and be evidenced by the signature or initials of the preparer and reviewer. Further, we recommend the sheriff collect the outstanding receivable from Kentucky State Treasurer and pay over to the fiscal court as excess fees.

Sheriff's Response: The sheriff did not provide a response.

2024-003 The Jackson County Sheriff Did Not Have Proper Controls Over The Payroll Process

This is a repeat finding and was included in the prior year audit report as finding 2023-005. The sheriff lacked adequate controls over the payroll process. The following deficiencies were noted during payroll testing:

- For the pay period tested, timesheets were not completed for one employee.
- Of the 15 employees tested, three employee's hours listed on their timesheets did not support the hours paid.

JACKSON COUNTY
DANIEL ISAACS, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2024
(Continued)

2024-003 The Jackson County Sheriff Did Not Have Proper Controls Over The Payroll Process (Continued)

- One employee's timesheet for the period tested did not specify hours worked in excess of 40 as being compensatory time.
- Compensatory time used by three employees could not be agreed to a compensatory balance report.
- Deputies, assistant, and other employee salaries were set by the fiscal court in January 2024 at \$471,044. No amendments were noted. The sheriff exceeded the fiscal court salary limit by \$17,937.

Due to lack of oversight of payroll and financial quarterly reports, the sheriff failed to see that the maximum salary set by fiscal court was overspent and that some employee timesheets were not properly completed. By not ensuring timekeeping records are properly maintained and accurate, employees can be over or under compensated and the sheriff assumes the risk of employees disputing the number of hours worked.

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires." The proper oversight of payroll is a basic internal control necessary to ensure the accuracy and reliability of financial reports.

KRS 337.320(1) states, "[e]very employer shall keep a record of: (a) The amount paid each pay period of each employee; (b) The hours worked each day and each week by each employee; and (c) Such other information as the executive director requires."

KRS 64.530(3) states, in part, "[t]he fiscal court shall fix annually the reasonable maximum amount, including fringe benefits, which the officer may expend for deputies and assistants, and allow the officer to determine the number to be hired and the individual compensation of each deputy and assistant."

We recommend the sheriff's office implement stronger controls over the payroll process to ensure amounts are reported accurately and to ensure timesheets are being properly completed for all employees. Stronger controls over the payroll process would also ensure the sheriff's office does not exceed the salary limit for deputies set by the fiscal court.

Sheriff's Response: The sheriff did not provide a response.