



Auditor of Public Accounts Allison Ball

FOR IMMEDIATE RELEASE

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Ball Releases Audit of Johnson County Sheriff's Fee Account

FRANKFORT, Ky. – State Auditor Allison Ball released the audit of the 2023 financial statement of Johnson County Sheriff Scott Hazlette. 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 Johnson 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.

The audit contains the following findings:

The sheriff's fourth quarter financial statement was materially misstated: In January of 2000, the Johnson County Fiscal Court adopted a fee pooling ordinance that required the sheriff to operate under the fee pooling system. By doing so, the sheriff makes twelve monthly payments to the fiscal court for fees collected. The fiscal court is then responsible for budgeting and paying the bills of the sheriff's office. These expenditures are accounted for on the fiscal court's financial statement and not on the sheriff's financial statement.

We recommend the sheriff only post expenditures made by his office on his quarterly financial statements.

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

The sheriff should require depository institutions to pledge or provide sufficient collateral and have a written agreement to protect deposits: The sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, always equals or exceeds the amount of public funds on deposit. As of December 31, 2023, the sheriff had bank deposits of \$965,602 and FDIC insurance of \$250,000, leaving \$715,602 as uncollateralized and uninsured. There was no written agreement between the sheriff and the depository institution, signed by both parties, securing the sheriff's interest in the collateral.

We recommend the sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds. In addition, we recommend the sheriff enter into a written agreement with the depository institution to secure the sheriff's interest in the collateral pledged or provided by the depository institution.

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

The sheriff's office did not have adequate segregation of duties: The sheriff's office did not have adequate segregation of duties over receipts, disbursements, and bank reconciliations. The bookkeeper collects payments and prepares the daily checkout sheet, deposits, and monthly tax reports. Upon completion of the monthly tax reports, the bookkeeper prepared and signed checks and performed bank reconciliations. These incompatible duties create a lack of segregation of duties over receipts, disbursements, and the reconciliation process.

We recommend that if these duties cannot be segregated, the sheriff's office should implement and document compensating controls to help offset this weakness.

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

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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