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Harmon Releases Audit of Ballard County Sheriff's Office

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2016 financial statement of Ballard County Sheriff Carey Batts. 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 Ballard County Sheriff in accordance with accounting principles generally accepted in the United States of America. The sheriff's financial statement did not follow this format. However, the sheriff's financial statement is fairly presented in conformity with the regulatory basis of accounting, which is an acceptable reporting methodology. This reporting methodology is followed for all 120 sheriff audits in Kentucky.

As part of the audit process, the auditor must comment on noncompliance with laws, regulations, contracts, and grants. The auditor must also comment on material weaknesses involving the internal control over financial operations and reporting.

The audit contains the following comments:

The Ballard County Sheriff's Office lacks adequate segregation of duties: The Ballard County Sheriff's Office lacks adequate segregation of duties. This is a repeat finding and was included in the prior year audit report as Finding 2015-001. The sheriff's bookkeeper is responsible for accepting money, performing all of the reconciliations, posting to ledgers, preparing checks, and creating reports. Although there were some compensating controls, they were not sufficient to offset the lack of segregation of duties. According to the sheriff, the bookkeeper has so many responsibilities due to the limited size of the office.

A lack of segregation of duties or strong oversight increases the risk that errors or fraud could occur and not be detected. Segregation of duties or the implementation of compensating controls, when limited by the number of staff, is essential for providing protection against the misappropriation of assets and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

Good internal controls dictate that certain accounting functions should be performed by several different employees to provide reasonable assurance the financial activity is properly accounted for and accurately reported. In order to achieve a proper segregation of duties, we recommend that the sheriff assign some of the duties to other employees, and if that is not possible the office should implement more compensating controls to offset the lack of segregation of duties.

Sheriff's Response: The Ballard County Sheriff's Office operates on a limited office staff due to limited funds. In the future, my goal will be to employ more office staff if finances allow. In the meantime, I will make an effort to review deposits and monthly reconciliations.

The Ballard County Sheriff has internal control deficiencies over receipts and failed to batch receipts and make deposits daily: The Ballard County Sheriff has internal control deficiencies over receipts. The sheriff does not batch receipts daily or make daily deposits. Instead, receipts are batched and deposited weekly. Also, the checkout sheets did not show a breakdown of cash and checks collected. Receipts issued to customers were prepared in duplicate rather than triplicate as required. According to the sheriff, this was due to an incorrect office policy. Receipts were left vulnerable to misappropriation and loss because they were not batched and deposited daily.

The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*, promulgated by KRS 68.210, requires receipts be kept intact and deposited daily. KRS 64.840 requires manual receipts to be prepared in triplicate. Strong internal controls dictate that receipts should be batched and deposited daily to decrease the risk of misappropriation of funds.

We recommend the sheriff complies with the DLG policy manual and KRS 64.840 and batch receipts daily. The sheriff should also make deposits daily, include a breakdown of checks and cash received on the checkout sheet, and prepare receipts in triplicate

Sheriff's Response: The Ballard County Sheriff's Office operates on a limited office staff due to limited funds. The office staff is also subject to answering emergency calls, which often leaves only one person in the office, making it difficult to make deposits daily. In the future, our goal will be to employ more office staff.

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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