



Auditor of Public Accounts
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Harmon Releases Audit of Former Ballard County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2017 taxes for former 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 former sheriff's settlement presents fairly the taxes charged, credited and paid in accordance with accounting principles generally accepted in the United States of America. The former sheriff's settlement is prepared on the regulatory basis, which is described in the auditor's opinion letter. Regulatory basis reporting for the sheriff's settlement is an acceptable reporting methodology, and this reporting methodology is followed for all 120 sheriff settlements in Kentucky.

The sheriff's financial statement fairly presents the taxes charged, credited and paid for the period April 18, 2017 through April 16, 2018 in conformity with the regulatory basis of accounting.

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 former Ballard County Sheriff failed to perform daily checkout procedures or make daily deposits: This is a repeat finding and was included in the prior year audit report as Finding 2016-001. During tax year 2017, the former Ballard County Sheriff did not perform daily checkout procedures or make daily deposits for tax collections. According to the former sheriff, daily checkout procedures were not performed due to small amount of daily tax collections. Also, according to the former sheriff, because of limited staff sometimes the bookkeeper would be the

only person working in the sheriff's office and would not be able to leave the office to take deposits to the bank.

Failure to perform daily checkout procedures and make daily deposits leave tax collections vulnerable to misappropriation and loss. Additionally, the failure to make daily deposits results in the former sheriff not being in compliance with KRS 68.210. 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.

We recommend the sheriff's office perform daily checkout procedures and make daily deposits as required by KRS 68.210.

Former Sheriff's Response: We made deposits when deposits were significant, and even tried to make small deposits on a much more regular basis also when time permitted. While running the Sheriff's Office, emergencies and important matters many times occurred at inopportune moments which may have interfered with making "daily" deposits. These type of situations would have been alleviated had the Sheriff's Office been in a better financial position to hire another full time secretary at the time.

It took most of my four year term to put the Sheriff's Office financially back where it needed to be in order to allow for hiring another full time secretary with the current budget. Even though I will no longer be Sheriff, after four years I have rebuilt the Sheriff's Office to a financial level where it can thrive, enabling the new Sheriff to easily hire another full time secretary without the need for any extra monies from the Ballard County Fiscal Court. As proof of that, I will soon be reimbursing the Ballard County Fiscal Court over \$80,000 in excess fees from the 2018 budget cycle, which runs on a calendar year. This amount is historically unprecedented, and accounts for almost 10% of the budget. I accomplished this feat at the same time that I managed to obtain better cruisers and equipment for the Sheriff's Office. This \$80,000 surplus of money that the Sheriff's Office is given each year can easily be used to hire another full time secretary without having to ask the Fiscal Court for more money to do this.

This audit was not started until mid to late 2018, and completed in 2019, which doesn't enable me to "correct" these situations. The financial decisions I made during my term, however, will allow the new Sheriff the ability to hire the needed second secretary position to allow himself the opportunity to avoid this error.

The former 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 2016-002. For tax year 2017, the former Ballard County Sheriff's Office lacked adequate segregation of duties. The bookkeeper was required to perform multiple tasks such as the collection of cash from customers, deposit preparation, bookkeeping, the preparation of monthly reports, the preparation of checks for disbursements, and the preparation of the annual tax settlement. These tasks were performed with little to no supervisory review. According to the former sheriff, the bookkeeper has so many responsibilities due to the size of the office.

A lack of segregation of duties or strong oversight could result in the undetected misappropriation of assets. Additionally, it resulted in inaccurate financial reporting including, the former sheriff's August monthly report and the county settlement presented to fiscal court. Also the former sheriff was not able to provide bank reconciliations due to his inability to locate original bank statements.

Segregation of duties over these tasks, or the implementation of compensating controls when limited by staff, is essential for providing protection from asset misappropriation and helping to prevent inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

To adequately protect against the misappropriation of assets, we recommend the sheriff's office segregate the duties noted above by allowing different deputies to perform these functions. If this is not feasible due to a lack of staff, then strong management oversight by the sheriff or designee could be a cost effective alternative. This oversight should include reviewing the deposits, comparing the daily checkout sheets to the monthly reports, reviewing the bank reconciliations, and reviewing the county settlement prior to presenting it to the fiscal court. Documentation, such as the sheriff's or designee's initials or signature, should be documented to signify the review.

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This audit was not started until mid to late 2018, and completed in 2019, which doesn't enable me to "correct" these situations. The financial decisions I made during my term, however, will allow the new Sheriff the ability to hire the needed second secretary position to allow himself the opportunity to avoid this error. Hiring another full time secretary should enable adequate segregation of duties.

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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