

**REPORT OF THE AUDIT OF THE
BALLARD COUNTY
SHERIFF**

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



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS	3
NOTES TO FINANCIAL STATEMENT	5
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 <i>GOVERNMENT AUDITING STANDARDS</i>	13
SCHEDULE OF FINDINGS AND RESPONSES	17

THIS PAGE LEFT BLANK INTENTIONALLY



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Todd Cooper, Ballard County Judge/Executive
The Honorable Ronnie Giles, Ballard County Sheriff
Members of the Ballard County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Sheriff of Ballard County, Kentucky, for the year ended December 31, 2019, and the related notes to the financial statement.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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

209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817

TELEPHONE 502.564.5841
FACSIMILE 502.564.2912

WWW.AUDITOR.KY.GOV

AN EQUAL OPPORTUNITY EMPLOYER M / F / D



The Honorable Todd Cooper, Ballard County Judge/Executive
 The Honorable Ronnie Giles, Ballard County Sheriff
 Members of the Ballard County Fiscal Court

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 Ballard 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 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.

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 statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Ballard 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 statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the Ballard County Sheriff 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 September 30, 2020, on our consideration of the Ballard 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 Ballard 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 comments:

- 2019-001 The Ballard County Sheriff's Office Lacks Adequate Segregation Of Duties
- 2019-002 The Ballard County Sheriff's Office Has Weak Internal Control Procedures Over Disbursements
- 2019-003 The Ballard County Sheriff Did Not Batch And Deposit Receipts Daily
- 2019-004 The Ballard County Sheriff's Office Overspent Approved Budget By \$27,337
- 2019-005 The Ballard County Sheriff Administered A Charitable Donation Account Through His Office That Did Not Serve A Public Purpose Associated With A Regular Function Of The Sheriff's Office

Respectfully submitted,



Mike Harmon
 Auditor of Public Accounts

September 30, 2020

BALLARD COUNTY
 RONNIE GILES, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2019

Receipts

Federal Highway Safety Grant	\$	2,207
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)		43,521
State Fees For Services:		
Finance and Administration Cabinet	\$ 86,652	
Sheriff Security Service	3,211	89,863
Circuit Court Clerk:		
Fines and Fees Collected	2,763	
Court Ordered Payments	1,662	4,425
Fiscal Court		320,000
County Clerk - Delinquent Taxes		9,105
Commission On Taxes Collected		182,386
Fees Collected For Services:		
Auto Inspections	2,680	
Accident and Police Reports	636	
Serving Papers	15,126	
Carry Concealed Deadly Weapon Permits	2,355	
Impound Fees	15,460	36,257
Other:		
Add-On Fees	38,873	
Miscellaneous	12,142	
School Resource	17,712	
Telecommunication Commissions	388	
Mental Transports	2,524	
City of Kevil	6,900	
City of Wickliffe	8,800	87,339
Interest Earned		755
Borrowed Money:		
State Advancement		120,000
Total Receipts		895,858

The accompanying notes are an integral part of this financial statement.

BALLARD COUNTY
 RONNIE GILES, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2019
 (Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-			
Deputies' Salaries	\$	498,883	
Materials and Supplies-			
Office Materials and Supplies		12,461	
Uniforms		12,919	
Auto Expense-			
Gasoline		45,801	
Maintenance and Repairs		15,772	
Other Charges-			
Conventions and Travel		5,406	
Dues		954	
Postage		140	
Miscellaneous		9,019	
Body Cameras		9,097	
Towing Fees		11,500	
Transports		2,748	
Capital Outlay-			
Vehicles		<u>50,688</u>	\$ 675,388
Debt Service:			
State Advancement		120,000	
Vehicle Lease - Principal		21,087	
Vehicle Lease - Interest		<u>2,557</u>	<u>143,644</u>
Total Disbursements			<u>\$ 819,032</u>
Net Receipts			76,826
Less: Statutory Maximum			<u>75,891</u>
Excess Fees			935
Less: Training Incentive Benefit			<u>1,054</u>
Balance Due From Fiscal Court at Completion of Audit			<u><u>\$ (119)</u></u>

* The sheriff's statutory maximum for calendar year 2019 was \$75,891 as noted above. The sheriff was paid \$75,772 during calendar year 2019. The sheriff is due the additional statutory maximum of \$119.

The accompanying notes are an integral part of this financial statement.

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENT

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, including excess fees, due from the sheriff as determined by the audit. KRS 134.192 requires the sheriff to settle excess fees with the fiscal court at the time he files his annual settlement with the fiscal court on or before September 1 of each year. KRS 64.830 requires an outgoing sheriff to settle excess fees with the fiscal court of his county by March 15 immediately following the expiration of his term of office.

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. 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 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2019 services
- Reimbursements for 2019 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2019

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the county treasurer in the subsequent year.

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).

BALLARD COUNTY
 NOTES TO FINANCIAL STATEMENT
 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.

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 half of the year and 24.06 percent for the second half of the year.

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:

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

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENT
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)

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.

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. 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.

D. 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.

E. 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.

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2019
(Continued)

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

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 Ballard 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 Ballard 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.

Note 4. Federal Grant

The Ballard County Sheriff's office was awarded a Highway Safety Grant through the Kentucky Department of Transportation Cabinet of Highway Safety for the period October 1, 2018 through September 30, 2019 in the amount of \$6,400. During the calendar year, grant funds of \$2,207 were received and utilized for their intended purpose.

Note 5. Federal Forfeiture Account

The Ballard County Sheriff's office maintains a federal drug forfeiture account. The account is funded by forfeitures awarded in federal drug cases and interest received on deposits. The funds are restricted under federal regulations and should be used for various law enforcement operations, equipment, and education to fight against drug problems in the county. Funds are not subject to be turned over as excess fees. As of January 1, 2019, the federal drug forfeiture account had a beginning balance of \$60,874 transferred from the former sheriff. During the year, funds totaling \$62 were received and \$53,745 were expended, leaving a balance of \$7,191 as of December 31, 2019.

BALLARD COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2019
 (Continued)

Note 6. Drug Forfeiture Account

The Ballard County Sheriff's office maintains a drug forfeiture account. The account is funded by court-ordered forfeitures of money and property, and interest received on deposits. The funds are restricted under state regulations and should be used for various law enforcement operations, equipment, and education to fight against drug problems in the county. Funds are not subject to be turned over as excess fees. As of January 1, 2019, the drug forfeiture account had a beginning balance of \$249 transferred from the former sheriff. During the year, funds totaling \$61,190 were received and \$49,327 were expended, leaving a balance of \$12,112 as of December 31, 2019.

Note 7. Donation Account

The Ballard County Sheriff's office maintains a donation account as authorized by KRS 61.310(8). This account is used to account for donations from local businesses or other organizations and interest earned on the deposit of these funds. During the year, funds totaling \$13,763 were received, and \$13,573 were expended, leaving a balance of \$190 as of December 31, 2019.

Note 8. Short-Term Debt

The Ballard County Sheriff's office borrowed \$120,000 for a state advancement. This is an interest free loan program offered by the state. The loan was repaid December 30, 2019.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Sheriff's Advancement	<u>\$</u>	<u>\$ 120,000</u>	<u>\$ 120,000</u>	<u>\$</u>
Total Short-term Debt	<u><u>\$ 0</u></u>	<u><u>\$ 120,000</u></u>	<u><u>\$ 120,000</u></u>	<u><u>\$ 0</u></u>

Note 9. On Behalf Payments

The Ballard County Fiscal Court entered into a lease agreement with Kentucky Association of Counties Finance Corporation in March 2019, for \$86,436 to purchase vehicles for the sheriff's office. The fiscal court requires the sheriff's office to make the required lease payments when sufficient funds are available from the sheriff's fee account. For calendar year 2019, the sheriff office paid \$23,644 on this lease agreement.

THIS PAGE LEFT BLANK INTENTIONALLY

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*

THIS PAGE LEFT BLANK INTENTIONALLY



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Todd Cooper, Ballard County Judge/Executive
The Honorable Ronnie Giles, Ballard County Sheriff
Members of the Ballard County Fiscal Court

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

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, Disbursements, and Excess Fees - Regulatory Basis of the Ballard County Sheriff for the year ended December 31, 2019, and the related notes to the financial statement and have issued our report thereon dated September 30, 2020. The Ballard 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.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Ballard County Sheriff's internal control over financial reporting (internal control) to determine the 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 Ballard County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Ballard 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 certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 2019-001 and 2019-003 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)

Internal Control over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2019-002, 2019-004, and 2019-005 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ballard 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 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2019-003.

Views of Responsible Official and Planned Corrective Action

The Ballard County Sheriff's views and planned corrective action for the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Ballard County Sheriff's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

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,



Mike Harmon
Auditor of Public Accounts

September 30, 2020

SCHEDULE OF FINDINGS AND RESPONSES

THIS PAGE LEFT BLANK INTENTIONALLY

BALLARD COUNTY
RONNIE GILES, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2019

FINANCIAL STATEMENT FINDINGS:

2019-001 The Ballard County Sheriff's Office Lacks Adequate Segregation Of Duties

The Ballard County Sheriff's office lacks adequate segregation of duties. The same employee is responsible for collecting money, preparing deposits, writing checks, posting to ledgers, performing monthly bank reconciliations, and preparing financial reports. Any compensating controls performed are not documented. According to the sheriff, the office has limited personnel which restricts the number of employees the sheriff can delegate financial duties to. The sheriff's office has two office employees who double check daily work and the sheriff double checks on a monthly basis. However, oversight procedures are not documented.

A lack of segregation of duties increases the risk of misappropriation of assets or inaccurate financial reporting to external agencies such as the Department for Local Government. 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. A good internal controls system consist of requiring certain accounting functions be performed by different employees to provide reasonable assurance the financial activity is properly accounted for and accurately reported.

We recommend, in order to achieve a proper segregation of duties, the sheriff's office assign some of the duties to other employees. If that is not feasible due to a limited number of staff, the sheriff's office should implement some compensating controls to minimize the risk of a lack of segregation of duties. Compensating controls performed should be documented by reviewer's initials and date.

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

2019-002 The Ballard County Sheriff's Office Has Weak Internal Control Procedures Over Disbursements

The Ballard County Sheriff's office has weak internal controls over disbursements. The sheriff allows office expenses to be paid by the use of a debit card. The sheriff's office had \$12,041 in debit card transactions for the year. Of the \$7,899 tested, two transactions totaling \$280 had no supporting documentation with one being a cash withdraw of \$100. The cash withdraw was indicated to be for a confidential informant. The other transaction was for a hotel stay while employee was performing a transport from out of state. Two other transactions included sales tax totaling \$59. The sheriff's office should not be paying sales tax due to their tax exempt status. Also, although all checks are signed by two employees with one being the sheriff, checks are not required to have two signature to clear the bank account and several checks tested were signed with the sheriff's signature stamp.

The sheriff has failed to establish sufficient internal control procedures over disbursement to ensure transactions are properly authorized, adequate supported, and allowable for official business. By allowing the employee's to use a debit card to make purchases for the office, there is an increased risk that purchases may not be for official business and allows employees' direct access to the funds in the sheriff's fee account. Since checks are not required to have two signatures to clear the bank, this is not an effective internal control procedure.

The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*, promulgated by KRS 68.210, requires all disbursements be by check only. Good internal controls dictate procedure be in place to ensure disbursements are properly authorized, adequately supported, and allowable.

BALLARD COUNTY
 RONNIE GILES, SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2019
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-002 The Ballard County Sheriff's Office Has Weak Internal Control Procedures Over Disbursements
 (Continued)

We recommend the sheriff establish internal control procedures over disbursements, which includes a process to ensure transactions are properly authorized, adequately supported, and for official business. If the sheriff intends to using dual signatures as a control procedure, he should set it up with the financial institution that all checks are required to have two signatures before being processed by the bank. The sheriff should also issue written checks for all office disbursements.

Sheriff's Response: The office is in the process of obtaining a credit card instead of a debit card.

2019-003 The Ballard County Sheriff Did Not Batch And Deposit Receipts Daily

The Ballard County Sheriff did not batch receipts or make deposits on a daily basis. Of the five days tested, receipts were only batched and deposited twice. According to the sheriff, receipts are batched and deposited every couple of days during the slow months when receipts were minimal. By not batching and depositing receipts on a daily basis, receipts are left vulnerable to being misappropriated.

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. Good internal controls dictate that receipts be batched and deposited daily to decrease the risk of funds being lost or misplaced.

We recommend the sheriff implement control procedures to ensure receipts are batched and deposited on a daily basis as required by state regulations.

Sheriff's Response: In 2020, deposits are made daily. During tax season in 2019, multiple deposits were made every day.

2019-004 The Ballard County Sheriff's Office Overspent Approved Budget By \$27,337

The Ballard County Sheriff's office exceeded the approved budgeted disbursements for calendar year 2019 by \$27,337. The Ballard County Fiscal Court approved sheriff's total budget for the year at \$868,600. The sheriff's office expended \$895,977. The sheriff exceed budgeted expenses for office supplies, uniforms, gasoline, maintenance and repair, convention and travel, dues, postage, miscellaneous, transports and vehicles. The sheriff failed to monitor budget and request budget amendment when approved budget was exceeded. Since amendments to the budget were not requested when budget was exceeded, the fiscal court was not made aware of the financial condition of the sheriff's office in order to make informed decisions regarding services provided to the taxpayers.

The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*, promulgated by KRS 68.210, requires the fiscal court to approve a calendar year budget for each fee office as a component of the county's budget preparation process by January 15th of each year. Good internal controls include monitoring budget by comparing actual disbursements to approved budget throughout the year and requesting budget amendments when actual amounts exceed budgeted amounts.

We recommend the sheriff monitor the budget throughout the year and make any budget appropriation transfers or amendments, as necessary not to exceed budget.

BALLARD COUNTY
 RONNIE GILES, SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2019
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-004 The Ballard County Sheriff's Office Overspent Approved Budget By \$27,337 (Continued)

Sheriff's Response: The sheriff's office did not spend more money than what was brought in. Impound fees and tow cost were not budgeted, which accounted for half of the overage. We have since gotten an amended 2019 budget approved by the fiscal court on 10-6-2020.

2019-005 The Ballard County Sheriff Administered A Charitable Donation Account Through His Office That Did Not Serve A Public Purpose Associated With A Regular Function Of The Sheriff's Office

The Ballard County Sheriff's office received public donations of \$5,060 in December 2019, to be used on Christmas gifts for needy children. The sheriff expended \$4,870 on children's Christmas gifts such as toys and clothes. By using public donations for charitable purposes, purchases could be considered unallowable which would be disallowed. Per the sheriff, he was not aware of the regulations related to the use of donated funds.

KRS 61.310(8) allows the sheriff to accept donations of money or goods and subsection (b) of the regulation states, "[a]ny donation to a sheriff shall only be used to further the public purpose of the office and shall not be used for private benefit of the sheriff, his or her deputies or other employees of the office." Good internal controls requires the sheriff to be aware of the requirements for receiving and expending donated funds.

Although a sheriff may personally engage in charitable activities, these should not be comingled with sheriff's office funds, since such charitable activities do not serve a public purpose associated with the official duties of the sheriff's office. The associated account should not run through or be maintained by the sheriff's office, but should be operated completely external to the sheriff's office and administered by a private or not-for-profit entity such as the Kentucky Sheriffs Association. Also, while the sheriff may participate in the activity, the activity should not be performed during regularly scheduled work hours.

We recommend the sheriff accept and use donated funds to further the public purpose of the office and not on charitable activities.

Sheriff's Response: We believe this comment to be unfounded. In December 2019, we opened a donation account. We have provided a list of those that donated along with the amount donated and the specific purpose of the donation - Christmas for Kids. We have provided receipts showing what the donations were used for - Christmas for needy kids of the community. The "Public purpose" of the sheriff's office is to protect and serve. This was a much needed service provided to our community. The Ballard County Fiscal Court, Ballard County Attorney's Office, Ballard County Ambulance service and the Ballard County Emergency Management were all involved. It was all done off duty and we used our own personal vehicles. This year, we are planning on having and official committee to oversee the donations instead of the sheriff's office for this service.

Auditor's Reply: KRS 61.310(8) allows the sheriff to accept donations of money or goods that shall only be used to further the public purpose of the office. Charitable activities, such as providing needy children with Christmas gifts, are not functions of a sheriff's office and therefore are not considered furthering the public purpose of the sheriff's office.