



Auditor of Public Accounts  
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### **Harmon Releases Audit of Ballard County Sheriff's Fee Account**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2020 financial statement of Ballard County Sheriff Ronnie Giles. 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 does not have adequate segregation of duties:** This is a repeat finding and was included in the prior year audit report as Finding 2019-001. The Ballard County Sheriff's Office does not have 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, no evidence of oversight procedures were 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 (DLG). 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 control system consists 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.

*County Sheriff's Response: In February 2020 we hired another fulltime office worker as an assistant to the office manager to further segregate duties. As an office, we will now incorporate more of our existing employees such as deputies and court security to double check the office work while documenting it as proof thereof.*

**The Ballard County Sheriff's Office has weak internal control procedures over disbursements:** This is a repeat finding and was included in the prior year audit report as Finding 2019-002. The Ballard County Sheriff's Office has weak internal controls over disbursements. During testing it was noted that there were several issues with disbursements during 2020. The findings were:

- Two transactions totaling \$53 were missing invoices. Since it was not possible to determine what these expenditures were for, these expenditures are disallowed.
- The office regularly used a debit card to pay for expenditures, which is not allowed as it removes key controls of the expenditure process.
- One expenditure was made using the debit card for a personal expenditure and was refunded once it was discovered by the bookkeeper.
- A deputy was reimbursed \$153 for parts to repair to a county owned rifle. The support for this reimbursement was only a listing of parts and the estimated cost, instead of invoices for the actual parts purchased.
- One donation account expenditure in the amount of \$101 was for the purchase of flowers for a funeral. This does not "further the public purpose of the office" as required by KRS 61.310(8)(b). The sheriff should remit funds of \$101 back to the donation account.

The sheriff failed to establish sufficient internal control procedures over disbursements to ensure transactions are properly authorized, adequate supported, and allowable for official business. By not having proper internal controls the sheriff's accounts are put at risk of misappropriation. Additionally, by allowing the employees 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.

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 by check only. Additionally, Funk v. Milliken, 317 S.W.2d 499 (Ky. 1958), Kentucky's highest court ruled that county fee officials' disbursements of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not primarily personal in nature. KRS 61.310(8)(a) states, in part, "[a] sheriff may accept a donation of money or goods to be used for the public purposes of his or her office[.]" Additionally, good internal controls dictate procedures be in place to ensure disbursements are properly authorized, adequately supported, and allowable.

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. Additionally, the sheriff should issue checks for all office disbursements and the sheriff should repay \$53 to the fee account for the unsupported disbursements and repay \$101 to the donation account for unallowable uses.

*County Sheriff's Response:*

***a. Two transactions totaling \$53 were missing.***

*One is from two of our transport officers eating in Texas while carrying out their duties on a transport. The other is a receipt for ice and drinks that we provide for the jury during trials. To correct this, we will now require all receipts to be placed in a separate folder carried in all transport vehicles.*

***b. The Office regularly used debit cards to pay expenditures.***

*Debit cards will be cancelled and credit cards will be applied for so that checks can be used as a suitable form of payment.*

***c. One expenditure was made using the debit card for a personal expenditure.***

*This mistake was caught by our office and corrected as soon as discovered.*

***d. A deputy was paid \$153 for making repairs to a county owned rifle.***

*The deputy was reimbursed for parts verses a gunsmith would cost parts and labor, thus saving the county money.*

***e. One donation account expenditure in the amount of \$101 was for the purchase of flowers for a funeral***

*The donation account was established to help our county residents, such as "Christmas for The Kids", "Cops and Bobbers". Others had donated to the account for other things as well, like feeding*

*less fortunate and putting up travelers for the night as they walk or bike through our community. Some even donated monies to be used as community bridging and public relations at our discretion. We did spend \$101 on funerals arrangements as Public Relations, the \$101 will be refunded by the office staff and the donation account is now closed. Any donations received now will be turned over to three people entrusted to help out our community through “Christmas for The Kids”, “Cops and Bobbers”.*

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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