



Auditor of Public Accounts  
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**FOR IMMEDIATE RELEASE**

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### **Harmon Releases Audit of Ballard County Sheriff's Tax Settlement**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2015 taxes for 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 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 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 17, 2015 through April 15, 2016 in conformity with the regulatory basis of accounting.

As part of the audit process, the auditor must comment on non-compliance 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 failed to make daily deposits.** The Ballard County Sheriff does not perform daily check-out procedures or make daily deposits for tax collections. Instead, the sheriff batches tax receipts and makes deposits approximately twice per week.

Daily checkout procedures were not being performed due to the bookkeeper being out of the office frequently. Due to the lack of segregation of duties, as noted in comment two, there was no one else in the office to perform daily checkout procedures and make daily deposits. Failure to make deposits intact on a daily basis leaves tax collections vulnerable to misappropriation and loss.

KRS 68.210 gives the State Local Finance Officer the authority to establish minimum accounting requirements, which include performing daily check-out procedures and making daily deposits intact to a federally insured financial institution. We recommend that the sheriff perform daily checkout procedures and deposit tax collections intact on a daily basis.

*Sheriff's response: The sheriff did not respond.*

**The Ballard County Sheriff's office has a lack of adequate segregation of duties.** Due to a limited number of staff and the diversity of operations, the bookkeeper is required to perform multiple tasks such as the collection of cash from customers, bookkeeping, bank reconciliations, the preparation of monthly reports, and the preparation of checks for disbursements.

A lack of segregation of duties or strong oversight increases the risk of undetected fraud or errors. This condition is the result of a limited budget, which restricts the number of employees the sheriff can hire or delegate duties to.

Segregation of duties over these tasks, or the implementation of compensating controls when limited by the number of staff, is essential for providing protection from asset misappropriation and helping 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 segregate the duties noted above by allowing different deputies to perform these functions. Also, deputies could be cross-trained to accommodate the rotation of these functions. For those duties that cannot be segregated due to a limited number of staff, then strong oversight should be provided to the employee or employees responsible for these duties. This oversight should include the sheriff, or a designee, reviewing the daily collection report and comparing it to the daily deposit. It should also include reviewing the monthly tax reports and comparing them to the monthly bank reconciliations and tax distributions. Documentation, such as the sheriff's or designee's initials or signature, should be provided on those items that have been reviewed.

*Sheriff's response: The sheriff did not respond.*

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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