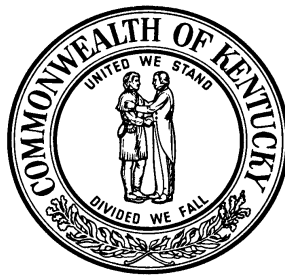


**REPORT OF THE AUDIT OF THE
FORMER BALLARD COUNTY
SHERIFF**

**For The Year Ended
December 31, 2017**



**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 4

NOTES TO FINANCIAL STATEMENT 6

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* 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 Carey Batts, Former Ballard County Sheriff
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 former Sheriff of Ballard County, Kentucky, for the year ended December 31, 2017, 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 Carey Batts, Former Ballard County Sheriff
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 former 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 each fund of the former Ballard County Sheriff, as of December 31, 2017, 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 former Ballard County Sheriff for the year ended December 31, 2017, 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 February 5, 2019, on our consideration of the former 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 former Ballard County Sheriff's internal control over financial reporting and compliance.

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

Other Reporting Required by *Government Auditing Standards* (Continued)

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:

- 2017-001 The Former Ballard County Sheriff Failed To Report Funds Paid To An Employee For Vehicle Parts And Installation
- 2017-002 The Former Ballard County Sheriff Had Control Deficiencies and Non-Compliances Over Receipts
- 2017-003 The Former Ballard County Sheriff Office Lacked Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

February 5, 2019

BALLARD COUNTY
 CAREY BATTS, FORMER SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2017

Receipts

Federal Grants	\$	3,234
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)		37,253
State Fees For Services:		
Finance and Administration Cabinet	\$	58,313
Sheriff Security Service		4,846
Driving Safe - Hayden		1,013
		64,172
Circuit Court Clerk:		
Fines and Fees Collected		3,964
Fiscal Court		255,859
County Clerk - Delinquent Taxes		10,051
Commission On Taxes Collected		208,545
Fees Collected For Services:		
Accident and Police Reports		876
Auto Inspections		2,555
Barlow/Kevil		3,600
Serving Papers		10,581
Transport		4,659
City of Wickliffe		21,600
Carry Concealed Deadly Weapon Permits		2,840
		46,711
Other:		
Add-On Fees		32,891
Miscellaneous		13,281
		46,172
Interest Earned		1,927
Borrowed Money:		
State Advancement		120,000
		120,000
Total Receipts		797,888

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

BALLARD COUNTY
 CAREY BATTS, FORMER SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2017
 (Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-		
Deputies' Salaries	\$	428,323
Contracted Services-		
Vehicle Maintenance and Repairs		31,507
Materials and Supplies-		
Office Materials and Supplies		23,449
Uniforms		8,290
Auto Expense-		
Gasoline		35,758
Vehicle Expense		64,410
Other Charges-		
Training		1,719
Dues		456
Postage		2,133
Transport Prisoner		236
Miscellaneous		1,339
	\$	<u>597,620</u>
Debt Service:		
State Advancement		<u>120,000</u>
Total Disbursements	\$	<u>717,620</u>
Net Receipts		80,268
Less: Statutory Maximum		<u>76,982</u>
Excess Fees		3,286
Less: Training Incentive Benefit		<u>3,039</u>
Excess Fees Due County for 2017		247
Payment to Fiscal Court - January 12, 2018		<u>247</u>
Balance Due Fiscal Court at Completion of Audit	\$	<u><u>0</u></u>

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

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2017

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 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 2017 services
- Reimbursements for 2017 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2017

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, 2017
 (Continued)

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

The county official and employees have 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

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 members contribute five percent of their annual creditable compensation and 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 Board 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 18.68 percent for the first six months and 19.18 percent for the last six months.

Health Insurance Coverage

CERS also 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, 2017
 (Continued)

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

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.

Note 3. Deposits

The former 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 former 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, 2017, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of November 7, 2017, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the former sheriff's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$599,602

Note 4. Federal Grants

- A. The former Ballard County Sheriff's office received a federal highway safety grant for the period October 1, 2016 through September 30, 2017. During 2017, funds totaling \$2,715 were received during the year. All funds were expended for their intended purpose.
- B. The former Ballard County Sheriff's office received a federal law enforcement service fee DUI grant for the period July 1, 2016 through June 30, 2017. During 2017, funds totaling \$519 were received during the year. All funds were expended for their intended purpose.

Ballard COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2017
(Continued)

Note 5. Federal Drug Account

The former Ballard County Sheriff's office had a drug fund established by an order of the circuit court which is authorized by KRS Chapter 218A. Receipts result from the forfeiture of money and property awarded in drug cases. The funds are spent for supplies, equipment, vehicle repairs, and drug awareness programs. The balance as of January 1, 2017 was \$1,121. During the calendar year, receipts totaled \$2,343 and disbursements totaled \$3,194 leaving an ending balance of \$270.

Note 6. State Drug Fund

The former Ballard County Sheriff's office maintained a state drug fund. Receipts result from the forfeiture of money and property awarded in state drug cases. The funds are spend for supplies, equipment, vehicle repairs, and drug awareness programs. The balance as of January 1, 2017 was \$10,623. During the calendar year, receipts totaled \$7,256 and disbursements totaled \$6,127 leaving an ending balance of \$11,752.

Note 7. Commitment and Contingencies

The former Ballard County Sheriff's office is involved in a lawsuit that arose from the normal course of doing business. While the outcome of this lawsuit may not be significant, due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the former Ballard County Sheriff's office cannot be made at this time.

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 Carey Batts, Former Ballard County Sheriff
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 former Ballard County Sheriff for the year ended December 31, 2017, and the related notes to the financial statement and have issued our report thereon dated February 5, 2019. The former 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 former 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 former Ballard County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the former 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 another deficiency that we consider to be a significant deficiency.

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 2017-002 and 2017-003 to be material weaknesses.

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



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 deficiency described in the accompanying Schedule of Findings and Responses as item 2017-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the former 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2017-001 and 2017-002.

Views of Responsible Official and Planned Corrective Action

The former 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 former Ballard 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

February 5, 2019

SCHEDULE OF FINDINGS AND RESPONSES

THIS PAGE LEFT BLANK INTENTIONALLY

BALLARD COUNTY
CAREY BATTS, FORMER SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2017

FINANCIAL STATEMENT FINDINGS:

2017-001 The Former Ballard County Sheriff Failed To Report Funds Paid To An Employee For Vehicle Parts And Installation

The former Ballard County Sheriff paid an employee \$13,883 for vehicle parts and installation on the sheriff office's vehicles. The employee provided several statements with dollar amounts owed, but no supporting receipts or invoices were attached to document the amount the employee paid for the parts. According to the former sheriff, the payments were reimbursements to the employee, but the employee refused to provide detailed invoices for parts. However, upon discussion of the issue with the Ballard County Attorney, auditors were told that the payments were not reimbursements, but actually payments to the employee as a vendor for work performed on vehicles and the corresponding parts. The county attorney also stated that the work was performed by the employee on personal time, not work time. According to the former sheriff, he preferred to pay the deputy because the deputy was able to order and install the parts cheaper than anyone else. According to the county attorney, there are other employees who have performed similar services, since the nearest vendor performing the same services was considerably higher in cost. Additionally neither the former sheriff nor county attorney realized that paying as a vendor or contract labor in addition to wages earned may be an Internal Revenue Service issue.

A deputy was compensated for parts and work performed and the income was not reported on the employee's W-2, nor was a 1099 issued. Additionally, the deputy who is an employee of the Ballard County Sheriff's office, was also treated as a vendor or contract labor. According to IRS Publication 15, Cat. No. 10000W, (Circular E), Employer's Tax Guide: "You must file Form 1099-MISC, Miscellaneous Income, to report payments of \$600 or more to persons not treated as employees (for example, independent contractors) for services performed for your trade or business. Generally, don't use Forms 1099 to report wages and other compensation you paid to employees; report these on Form W-2."

We recommend the former sheriff consult with the county attorney and contact the Internal Revenue Service to determine the proper course of action for reporting the payments made to the deputy. In situations that have elements that meet the criteria for an employee relationship and an independent contractor relationship, the IRS will assist in making this determination. Publication 15-A states, "If you want the IRS to determine whether or not a worker is an employee, file Form SS-8 with the IRS." Additionally, the former sheriff should determine if federal wage and labor laws were violated in regards to the hours the deputy worked performing labor on the sheriff's office vehicles. All communications and actions taken to remedy this issue should be documented.

Former Sheriff's Response: All of the equipment in question regarding this comment from the auditor continues to be installed in the patrol cruisers in which they were installed. I, along with ALL of my other employees, can attest to the fact that the equipment which was obtained from the deputy was new, and was immediately installed in cruisers in which they were to be used.

The amount that was paid to a deputy, who is now Chief Deputy with the new Sheriff, was for the amounts that he submitted to be itemized, submitted personal invoices. Before any monies were paid to a deputy, he told me in no uncertain terms that the amounts that he submitted were exactly his cost. A deputy provided exact amounts to me that he said the equipment was going to cost the Sheriff's Office. The amounts he submitted were substantially below any prices that I found locally or on the internet for the same equipment. He told me that he was not making anything on the equipment. When I first made the agreement with a deputy, I was under the assumption that he would be submitting invoices from the source of the equipment. When I realized that he was not submitting invoices from the supplier of the equipment I approached him and asked him if he could supply them to me.

BALLARD COUNTY
 CAREY BATTS, FORMER SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2017
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-001 The Former Ballard County Sheriff Failed To Report Funds Paid To An Employee For Vehicle Parts And Installation (Continued)

Former Sheriff's Response: (Continued) His response was, "Nope". I then asked him if maybe the equipment when shipped, had an invoice that he could give me. He responded minimally again by saying, "Nope, Sorry, that's all that I can give you. That should be enough". After a couple of more questions to the deputy it became apparent that he was not going to supply any invoices from the supplier of the equipment, nor let me know who was providing him the equipment. This attitude from deputy, the current Chief Deputy of the Ballard County Sheriff's Office, is very typical and synonymous with his obstinate character that I have experienced in the past.

The purchase of the equipment from the deputy was made with no financial gain for myself, and the promise from the deputy that he also was gaining nothing financially from the transactions. I cannot be for certain that the deputy was being truthful to me when he promised he was not gaining financially, but I can acknowledge that I did extended research in trying to find the cheapest prices for this equipment and would challenge anyone to find this equipment at a lower price than what the Sheriff's Office paid the deputy. In afterthought, I have some opinions regarding "how" he may have been able to get it so cheaply, including the possibility of him having a "wholesale" relationship with someone who was able to provide him with wholesale prices, but I cannot be certain because he would never disclose the information. The decision to purchase this equipment at these prices was done solely by me to provide the Ballard County Sheriff's Office with the lowest cost option to obtain this necessary equipment, and would not have been made if I had felt that any unethical practices were being used to provide us this equipment.

I do not agree that I should personally be in debt to Ballard County for the amount in question because the equipment was installed in patrol cruisers and remains in those same patrol cruisers to this date. I would further state that if there are questions regarding where the equipment was originally secured from, that the Ballard County Fiscal Court might require the now Chief Deputy to comply with answering questions from them in an effort to obtain full disclosure from the deputy.

Auditor reply: The comment does not indicate that the former sheriff is liable for the issue discussed above.

2017-002 The Former Ballard County Sheriff Had Control Deficiencies and Non-Compliances Over Receipts

This is a repeat finding from the prior year which was included in the report as 2016-002. The former Ballard County Sheriff had internal control deficiencies and non-compliances regarding receipts. The former sheriff did not batch receipts or make daily deposits. Instead receipts were batched and deposited weekly. Testing revealed the sheriff only made five deposits during the month of November, two of which included more than one day of receipts. One deposit totaling \$2,131 was for seven business days' receipts, and a second deposit totaling \$70,162 was for four business days' receipts. Daily checkout sheets did not show a breakdown of cash and checks collected. Also, receipts issued to customers were prepared in duplicate rather than triplicate as required. According to the former sheriff, they did not batch or make daily deposits during the slow months when receipts were minimal. According to the office personnel, receipts were not issued in triplicate because the sheriff's office could not justify the cost. The former Ballard County Sheriff was in non-compliance with KRS 68.210 and 64.840. Additionally, receipts were left vulnerable to misappropriation or theft because they were not batched and deposited daily.

BALLARD COUNTY
 CAREY BATTS, FORMER SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2017
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-002 The Former Ballard County Sheriff Had Control Deficiencies and Non-Compliances Over Receipts
 (Continued)

The Department for Local Government's (DLG) *County Budget Preparation And State Local Finance Officer Policy Manual*, promulgated pursuant to 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 daily checkout sheets include a breakdown of cash and checks and receipts should be batched and deposited daily to decrease the risk of misappropriation of funds.

We recommend the sheriff's office comply with the DLG policy manual and KRS 64.840 by batching receipts daily. Additionally, the sheriff's office should include a breakdown of checks and cash received on the daily checkout sheets, prepare receipts in triplicate, and make deposits daily.

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.

The 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.

2017-003 The Former Ballard County Sheriff Office Lacked Adequate Segregation Of Duties

This is a repeat finding from the prior year which was included in the report as 2016-001. The former Ballard County Sheriff's office lacked adequate segregation of duties. The bookkeeper collected money, prepared deposits, posted to the ledgers, prepared checks, created reports, and performed all account reconciliations. Dual signatures were required on all checks, however no additional controls were noted. According to the former sheriff, the bookkeeper had so many responsibilities due to the limited size of the office. A lack of segregation of duties or strong oversight increases the risk of undetected misappropriation of assets or inaccurate financial reporting.

BALLARD COUNTY
CAREY BATTS, FORMER SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2017
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-003 The Former Ballard County Sheriff Office Lacked Adequate Segregation Of Duties (Continued)

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 the sheriff's office assign some of the duties to other employees. If that is not feasible due to a lack of staff, the sheriff's office should implement more compensating controls to offset the lack of segregation of duties.

Former Sheriff's Response: 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 year I have rebuilt the Sheriff's Office to 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. My actions 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.