

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

**For The Year Ended
December 31, 2020**



**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, 2020, 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.



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, 2020, 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, 2020, 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 October 6, 2021, 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:

- 2020-001 The Ballard County Sheriff's Office Does Not Have Adequate Segregation Of Duties
- 2020-002 The Ballard County Sheriff's Office Has Weak Internal Control Procedures Over Disbursements

Respectfully submitted,



Mike Harmon
 Auditor of Public Accounts

October 6, 2021

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

For The Year Ended December 31, 2020

Receipts

Federal Highway Safety Grant	\$	1,336
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)		40,261
State Fees For Services:		
Finance and Administration Cabinet	\$ 49,287	
Sheriff Security Service	2,898	52,185
Circuit Court Clerk:		
Fines and Fees Collected		2,869
Fiscal Court		359,101
County Clerk - Delinquent Taxes		9,923
Commission On Taxes Collected		226,103
Fees Collected For Services:		
Auto Inspections	2,720	
Accident and Police Reports	623	
Serving Papers	11,274	
Carry Concealed Deadly Weapon Permits	2,330	
Barlow/Kevil	7,200	
City of Wickliffe	9,600	
City of Barlow	1,250	
Impound Fees	4,399	39,396
Other:		
Add-On Fees	20,590	
Miscellaneous	1,615	
Telecommission	458	
KACO Loss Control Grant	2,880	
Drive Safe - Hayden	1,279	26,822
Interest Earned		1,358
Borrowed Money:		
State Advancement		120,000
Total Receipts		879,354

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, 2020
 (Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-			
Deputies' Salaries	\$	522,193	
Contracted Services-			
Vehicle Maintenance and Repairs		13,676	
Materials and Supplies-			
Office Materials and Supplies		14,411	
Uniforms		8,869	
Auto Expense-			
Gasoline		39,105	
Other Charges-			
Dues		499	
Postage		53	
Transporting Prisoners		276	
Miscellaneous		5,907	
Capital Outlay-			
Vehicles		<u>49,223</u>	\$ 654,212
Debt Service:			
State Advancement		120,000	
Vehicle Lease - Principal		21,007	
Vehicle Lease - Interest		<u>2,647</u>	<u>143,654</u>
Total Disbursements			<u>\$ 797,866</u>
Net Receipts			81,488
Less: Statutory Maximum			<u>79,781</u>
Excess Fees Due County for 2020			1,707
Payment to Fiscal Court - February 8, 2021			<u>848</u>
Balance Due Fiscal Court at Completion of Audit			<u><u>\$ 859</u></u>

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

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2020

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 2020 services
- Reimbursements for 2020 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2020

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, 2020
 (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 24.06 percent for 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, 2020
 (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.

Benefits are covered under KRS 161.714 with exception of COLA and retiree health benefits after July 2003.

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, 2020
(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 federally insured banking institutions as required by the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The DLG Manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected 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. These requirements were met.

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 the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of December 31, 2020, 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, 2019 through September 30, 2020 in the amount of \$5,650. During the calendar year, grant funds of \$1,336 were received for their intended purpose.

BALLARD COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2020
 (Continued)

Note 5. Other Accounts

A. 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, 2020, the federal drug forfeiture account had a beginning balance of \$7,191. During the year, funds totaling \$14 were received, leaving a balance of \$7,205 as of December 31, 2020.

B. 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, 2020, the drug forfeiture account had a beginning balance of \$12,112. During the year, funds totaling \$10,058 were received and \$2,871 were expended, leaving a balance of \$19,299 as of December 31, 2020.

C. Donation Account

The Ballard County Sheriff's office maintained a donation account as authorized by KRS 61.310(8). This account was used to account for donations from local businesses or other organizations and interest earned on the deposit of these funds. As of January 1, 2020, the donation account had a beginning balance of \$190. During the year, funds totaling \$5,736 were received, and \$5,926 were expended. The sheriff closed the account on December 7, 2020.

Note 6. Short-Term Debt

A. Direct Borrowing

1. The Ballard County Sheriff's office borrowed a state advancement of funds in the amount of \$120,000 to defray the expenses of the office for 2020. This is an interest free loan program offered by the state. The loan was repaid on December 28, 2020.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Direct Borrowing	\$	\$ 120,000	\$ 120,000	\$
Total Short-term Debt	<u>\$ 0</u>	<u>\$ 120,000</u>	<u>\$ 120,000</u>	<u>\$ 0</u>

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2020
(Continued)

Note 7. 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 2020, the sheriff office paid \$23,654 on this lease agreement.

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, 2020, and the related notes to the financial statement and have issued our report thereon dated October 6, 2021. 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) as a basis for designing 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 a certain deficiency in internal control that we consider to be a material weakness 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 deficiency described in the accompanying Schedule of Findings and Responses as item 2020-001 to be a material weakness.



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 2020-002 to be a significant deficiency.

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 financial statement. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

October 6, 2021

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, 2020

INTERNAL CONTROL - MATERIAL WEAKNESS:

2020-001 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. 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.

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.

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY:

2020-002 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.

BALLARD COUNTY
 RONNIE GILES, SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2020
 (Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY: (Continued)

2020-002 The Ballard County Sheriff's Office Has Weak Internal Control Procedures Over Disbursements
 (Continued)

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.

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.

BALLARD COUNTY
RONNIE GILES, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2020
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY: (Continued)

2020-002 The Ballard County Sheriff's Office Has Weak Internal Control Procedures Over Disbursements
(Continued)

Sheriff's Response: (Continued)

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".