



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2018 financial statement of former 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 financial statement presents fairly the receipts, disbursements and excess fees of the former Ballard County Sheriff in accordance with accounting principles generally accepted in the United States of America. The former sheriff's financial statement did not follow this format. However, the former 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 former Ballard County Sheriff had control deficiencies and noncompliances over receipts: This is a repeat finding from the prior year audit and was included in the report as Finding 2017-002. The former sheriff did not batch receipts or make daily deposits during 2018. Instead receipts were batched and deposited weekly. Also, receipts issued to customers were prepared in duplicate rather than triplicate as required. The former Ballard County Sheriff was not in compliance with KRS 64.840. Additionally, receipts were left vulnerable to misappropriation or theft because they were not batched and deposited daily.

KRS 68.210 gives the state local finance office the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*, which states, "daily deposits intact into a federally insured banking institution." KRS 64.840 requires receipts to be prepared in triplicate. Strong internal controls dictate that daily receipts should be batched and deposited daily to decrease the risk of misappropriation of funds.

According to the former sheriff, they didn't 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. We recommend the sheriff's office comply with the DLG policy manual and KRS 64.840 by preparing receipts in triplicate and making deposits daily.

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

The former Ballard County Sheriff's Office lacked adequate segregation of duties: This is a repeat finding from the prior year audit and was included in the report as Finding 2017-003. The bookkeeper was responsible for collecting money, preparing deposits, writing checks, posting to ledgers, performing and maintaining monthly bank reconciliations, and maintaining bank statements and financial reports. Due to the former sheriff lacking adequate segregation of duties, nine of twelve bank statements and reconciliations were missing. The other three months of the year did not have official reconciliations performed. A lack of segregation of duties increases the risk of undetected errors. It also increases the risk of misappropriation of assets or inaccurate financial reporting.

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.

According to the former sheriff, the bookkeeper had so many responsibilities due to the limited number of employees he was able to delegate duties. The bookkeeper for the last three months of the year was not aware that official reconciliations were to be performed and maintained. A good internal controls system includes requiring certain accounting functions be performed by 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 some compensating controls to minimize the risk of a lack of segregation of duties.

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

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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