



Auditor of Public Accounts  
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### **Harmon Releases Audit of Former Ballard County Sheriff's Tax Settlement**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2018 taxes for 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 former 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 former sheriff's settlement is prepared on the regulatory basis, which is described in the auditor's opinion letter. Regulatory basis reporting for the former 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, 2018 through December 31, 2018 in conformity with the regulatory basis of accounting.

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's tax settlement was materially misstated:** The former Ballard County Sheriff's tax settlement was materially misstated by \$564,590 due to not reporting franchise tax collections and distributions from June 2018 of \$227,019, July 2018 of \$83,465, and September 2018 of \$254,106.

The former sheriff hired a new bookkeeper beginning in October 2018. The bookkeeper was not aware of the collections received and distributed in June, July, and September. Also, the former sheriff did not ensure the tax settlement was complete and accurate prior to submitting to the fiscal court for approval. As a result, the former sheriff's settlement presented and approved by the fiscal court was not a complete and accurate reporting of taxes collected as of December 31, 2018.

According to KRS 134.215(3), "[e]ach outgoing sheriff shall make a final settlement with the department, the fiscal court, and all districts for which his or her office collected taxes by March 15 immediately following the expiration of his or her term of office. The settlement shall address all charges of taxes made against the sheriff and all money received by him or her as sheriff, and shall include all of the information required for an annual settlement pursuant to KRS 134.192." KRS 134.192(5) states, "[t]he settlement shall show the amount of ad valorem tax collected for the county, the school district, and all taxing districts, and an itemized statement of the money disbursed to or on behalf of the county, the school district, and all taxing districts."

The former sheriff should have reviewed the tax settlement to determine if it was complete and accurate by comparing to supporting documentation such of the monthly tax reports. We recommend the sheriff's office ensure the settlement is reviewed for accuracy.

*Former Sheriff's Response: No Response.*

**The former Ballard County Sheriff's Office did not perform daily checkout procedures or make daily deposits:** This is a repeat finding and was included in the prior year audit report as Finding 2017-001. During the tax year, the former Ballard County Sheriff's Office did not perform daily check-out procedures or make daily deposits for tax collections. Tax collections totaling \$29,618 for November 8 through November 13 were batched and deposited on November 14 and collection totaling \$6,982 for November 14 through November 15 were batched and deposited on November 16.

According to the former sheriff, daily checkout procedures were not performed due to the small amount of taxes collected on a daily basis. Also because of a limited number of staff, sometimes the bookkeeper would be the only person working in the office and would not be able to leave to take deposits to the bank.

Failure to perform daily checkout procedures and make daily deposits increases the risk that tax collections could be misappropriated or lost.

KRS 68.210 gives the state local finance officer 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."

We recommend the sheriff's office perform daily checkout procedures and make daily deposits as required by state regulation.

*Former Sheriff's Response: No Response.*

**The former Ballard County Sheriff's Office lacked adequate segregation of duties:** This is a repeat finding and was included in the prior year audit report as Finding 2017-002. The former Ballard County Sheriff's Office lacked adequate segregation of duties over tax collections. The former sheriff's bookkeeper performed all the accounting functions of the office. The bookkeeper collected tax payments, prepared deposits, printed monthly reports, and prepared tax distributions, monthly bank reconciliations, and the annual tax settlement. These tasks were performed with little to no supervisory review.

According to the former sheriff, the bookkeeper performed all of these duties because he was unable to hire another secretary due to a limited budget.

This lack of segregation of duties without sufficient oversight resulted in the sheriff's tax settlement being materially misstated (See Finding 2018-001).

Segregation of duties is essential for providing protection from asset misappropriation and helping to prevent inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the sheriff's office segregate the duties noted above by allowing different employees to perform these functions. If this is not feasible due to a lack of staff, then strong management oversight by the sheriff or a designee could be a cost effective alternative.

*Former Sheriff's Response: No 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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