



Auditor of Public Accounts
Mike Harmon

FOR IMMEDIATE RELEASE

Contact: **Michael Goins**
Michael.Goins@ky.gov
502.564.5841
502.209.2867

Harmon Releases Audit of Ballard County Sheriff's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2019 financial statement of Ballard County Sheriff Ronnie Giles. 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 Ballard County Sheriff in accordance with accounting principles generally accepted in the United States of America. The sheriff's financial statement did not follow this format. However, the 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 Ballard County Sheriff's Office lacks 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, oversight procedures are not 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 (DLG). 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 controls system consist 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.

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

The Ballard County Sheriff's Office has weak internal control procedures over disbursements: The sheriff allows office expenses to be paid by the use of a debit card. The sheriff's office had \$12,041 in debit card transactions for the year. Of the \$7,899 tested, two transactions totaling \$280 had no supporting documentation with one being a cash withdraw of \$100. The cash withdraw was indicated to be for a confidential informant. The other transaction was for a hotel stay while employee was performing a transport from out of state. Two other transactions included sales tax totaling \$59. The sheriff's office should not be paying sales tax due to their tax exempt status. Also, although all checks are signed by two employees with one being the sheriff, checks are not required to have two signature to clear the bank account and several checks tested were signed with the sheriff's signature stamp.

The sheriff has failed to establish sufficient internal control procedures over disbursement to ensure transactions are properly authorized, adequate supported, and allowable for official business. By allowing the employee's 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. Since checks are not required to have two signatures to clear the bank, this is not an effective internal control procedure.

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 be by check only. Good internal controls dictate procedure 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. If the sheriff intents to using dual signatures as a control procedure, he should set it up with the financial institution that all checks are required to have two signatures before being processed by the bank. The sheriff should also issue written checks for all office disbursements.

County Sheriff's Response: The office is in the process of obtaining a credit card instead of a debit card.

The Ballard County Sheriff did not batch and deposit receipts daily: The Ballard County Sheriff did not batch receipts or make deposits on a daily basis. Of the five days tested, receipts were only batched and deposited twice. According to the sheriff, receipts are batched and deposited every couple of days during the slow months when receipts were minimal. By not batching and depositing receipts on a daily basis, receipts are left vulnerable to being misappropriated.

The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*, promulgated by KRS 68.210, requires receipts be kept intact and deposited daily. Good internal controls dictate that receipts be batched and deposited daily to decrease the risk of funds being lost or misplaced.

We recommend the sheriff implement control procedures to ensure receipts are batched and deposited on a daily basis as required by state regulations.

County Sheriff's Response: In 2020, deposits are made daily. During tax season in 2019, multiple deposits were made every day.

The Ballard County Sheriff's Office overspent its approved budget by \$27,337: The Ballard County Sheriff's office exceeded the approved budgeted disbursements for calendar year 2019 by \$27,337. The Ballard County Fiscal Court approved sheriff's total budget for the year at \$868,600. The sheriff's office expended \$895,977. The sheriff exceed budgeted expenses for office supplies, uniforms, gasoline, maintenance and repair, convention and travel, dues, postage, miscellaneous, transports and vehicles. The sheriff failed to monitor budget and request budget amendment when approved budget was exceeded. Since amendments to the budget were not requested when budget was exceeded, the fiscal court was not made aware of the financial condition of the sheriff's office in order to make informed decisions regarding services provided to the taxpayers.

The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*, promulgated by KRS 68.210, requires the fiscal court to approve a calendar year budget for each fee office as a component of the county's budget preparation process by January 15th of each year. Good internal controls include monitoring budget by comparing actual disbursements to approved budget throughout the year and requesting budget amendments when actual amounts exceed budgeted amounts.

We recommend the sheriff monitor the budget throughout the year and make any budget appropriation transfers or amendments, as necessary not to exceed budget.

County Sheriff's Response: The sheriff's office did not spend more money than what was brought in. Impound fees and tow cost were not budgeted, which accounted for half of the overage. We have since gotten an amended 2019 budget approved by the fiscal court on 10-6-2020.

The Ballard County Sheriff administered a charitable donation account through his office that did not serve a public purpose associated with a regular function of the sheriff's office:

The Ballard County Sheriff's office received public donations of \$5,060 in December 2019, to be used on Christmas gifts for needy children. The sheriff expended \$4,870 on children's Christmas gifts such as toys and clothes. By using public donations for charitable purposes, purchases could be considered unallowable which would be disallowed. Per the sheriff, he was not aware of the regulations related to the use of donated funds.

KRS 61.310(8) allows the sheriff to accept donations of money or goods and subsection (b) of the regulation states, "[a]ny donation to a sheriff shall only be used to further the public purpose of the office and shall not be used for private benefit of the sheriff, his or her deputies or other employees of the office." Good internal controls requires the sheriff to be aware of the requirements for receiving and expending donated funds.

Although a sheriff may personally engage in charitable activities, these should not be comingled with sheriff's office funds, since such charitable activities do not serve a public purpose associated with the official duties of the sheriff's office. The associated account should not run through or be maintained by the sheriff's office, but should be operated completely external to the sheriff's office and administered by a private or not-for-profit entity such as the Kentucky Sheriffs Association. Also, while the sheriff may participate in the activity, the activity should not be performed during regularly scheduled work hours.

We recommend the sheriff accept and use donated funds to further the public purpose of the office and not on charitable activities.

County Sheriff's Response: We believe this comment to be unfounded. In December 2019, we opened a donation account. We have provided a list of those that donated along with the amount donated and the specific purpose of the donation - Christmas for Kids. We have provided receipts showing what the donations were used for - Christmas for needy kids of the community. The "Public purpose" of the sheriff's office is to protect and serve. This was a much needed service provided to our community. The Ballard County Fiscal Court, Ballard County Attorney's Office, Ballard County Ambulance service and the Ballard County Emergency Management were all involved. It was all done off duty and we used our own personal vehicles. This year, we are planning on having and official committee to oversee the donations instead of the sheriff's office for this service.

Auditor's Reply: KRS 61.310(8) allows the sheriff to accept donations of money or goods that shall only be used to further the public purpose of the office. Charitable activities, such as providing needy children with Christmas gifts, are not functions of a sheriff's office and therefore are not considered furthering the public purpose of the sheriff's office.

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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