



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 Fiscal Court

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statements of the Ballard County Fiscal Court for the fiscal year ended June 30, 2014. State law requires annual audits of county fiscal courts.

Auditing standards require the auditor's letter to communicate whether the financial statement presents fairly the receipts, disbursements, and changes in cash and cash equivalents of the Ballard County Fiscal Court in accordance with accounting principles generally accepted in the United States. The Fiscal Court's financial statement did not follow this format. However, the Fiscal Court'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 115 of 120 fiscal court audits in Kentucky.

As part of the audit process, the auditor must comment on non-compliance 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:

Material weaknesses over the Health Reimbursement Account resulted in misuse and overpayments. The following findings were noted with Ballard County's Health Reimbursement Account:

- Employees were overpaid the annual amount contributed by the County, including the County Treasurer who may have been overpaid \$13,007 for a four-year period.
- Prescriptions that were reimbursed more than once, and in some cases up to three times.

- The County made reimbursements to employees that do not qualify under IRS guidelines, including gum, soft drinks, automatic transmission fluid, over-the-counter medication, and massages without a doctor's prescription.
- Reimbursements were made for services not yet received or expenses not yet incurred.
- Lack of proper supporting documentation for reimbursement amounts.
- Employees were not required to submit reimbursement forms prior to being reimbursed for medical expenses.
- The Treasurer failed to produce reimbursement ledgers for fiscal year 2013 and 2014.
- For those years that did have reimbursement ledgers, the Treasurer failed to post multiple reimbursement checks to those ledgers, causing the true amount of reimbursement not to be shown.
- Ballard County does not have a formal policy over health reimbursements.
- A lack of segregation of duties over the health reimbursement account.

The Health Reimbursement Account is maintained by the County Treasurer for those employees who waive the County's health insurance coverage. Each month, the County contributes \$500 for each employee who participates. These funds are then used to reimburse participating employees for medical expenses. Because of the weaknesses and non-compliances that were noted, testing was expanded to include health reimbursements for fiscal years 2011, 2012, 2013, and 2014.

Strong internal controls and a written policy governing the Health Reimbursement Account are vital in ensuring that it is accounted for properly, and that all reimbursement amounts are appropriate and qualify under federal guidelines. They are also important in protecting the County's assets and those given the responsibility of accounting for them. Because the County failed to have either in place, the aforementioned findings were allowed to occur. In response to these findings, we make the following recommendations:

- Ballard County should adopt a formal policy, in compliance with federal guidelines, that governs health reimbursements offered to employees who waive the County's health insurance.
- The County should implement strong fiscal court oversight and monitoring of the account and ledgers, ensuring all disbursements are properly supported, properly recorded, and valid against the County's HRA policy.
- All claims submitted by employees for reimbursement should be subject to strict scrutiny, in order to ensure employees are only reimbursed once for any medical expenses.
- The County should maintain accurate ledgers, detailing reimbursement amounts issued to employees who waive the County's insurance coverage.
- The County should eliminate all reimbursements for non-qualifying expenses according to IRS guidelines.
- The County should eliminate all reimbursements for services not yet received or expenses not yet incurred by employees.
- Employees should be required to submit reimbursement forms, accompanied by proper supporting documentation, prior to any reimbursement check being issued.

Due to their severity, the findings noted will be turned over to the Office of the Attorney General of the Commonwealth of Kentucky.

County Judge/Executive Viniard's response: Overpayments are being checked by County Attorney. Reimbursements for services not yet received had doctor estimates for monthly payments. Fiscal Court approves medical reimbursements of \$500 at the first of each fiscal year. Was unaware of reimbursement forms. This issue has been resolved. To our knowledge all ledgers were given to auditors however 2013 ledger, 2013 quarterly report and several other supportive documents that were given to auditors still have not been found. However, looking for these documents, we did find Marshall County paperwork in the courtroom.

Auditor's reply: In order to perform testing over the Health Reimbursement Account, auditors requested the treasurer's reimbursement ledgers corresponding to fiscal years 2011, 2012, 2013, and 2014. Ledgers corresponding to fiscal years 2011 and 2012 were provided to auditors. Ledgers corresponding to fiscal years 2013 and 2014 were never provided to auditors, even after multiple requests. According to the county treasurer, these ledgers were missing and never located prior to the end of fieldwork.

Overpayment amounts were determined by recapping cancelled checks for fiscal years 2011, 2012, 2013, and 2014, all of which were cosigned by the County Judge/Executive and the County Treasurer. The following is a breakdown of the amounts corresponding to the County Treasurer:

Fiscal Year Ended June 30	Annual Reimbursements	Annual Limit	Overpayment
2011	\$ 9,052	\$ 7,068	\$ 1,984
2012	8,249	6,534	1,715
2013	12,711	6,000	6,711
2014	8,597	6,000	2,597
	<u>\$ 38,609</u>	<u>\$ 25,602</u>	<u>\$ 13,007</u>

The advancement of health reimbursement funds is not allowable, regardless if estimates from doctors have been obtained. No matter, the instance noted during testing was not a doctor's estimate, but rather an invoice dated March 13, 2014 for services rendered that was included as supporting documentation for a reimbursement check dated July 22, 2013. This practice is not allowable under federal guidelines and should be eliminated by the County.

Retirement was not properly withheld from employees' checks and was not properly reported and paid to CERS. The following errors or problems were noted with the County's retirement benefits:

- One employee was excluded from the retirement report; therefore, retirement benefits for this employee were not turned over to the County Employee Retirement Systems (CERS).

- One employee's earnings for the month were reported at \$1,000 more on the retirement report than the payroll summary, resulting in too much being paid into retirement for this employee.
- The county's retirement contribution rate in the payroll software did not agree with the actual contribution rate for CERS.
- The additional 1% employee contribution for employees hired on or after September 1, 2008, was withheld from two employees' wages, but was not properly reported or turned over to CERS.
- The additional 1% employee contribution for employees hired on or after September 1, 2008, was not withheld from one employee's wages, but was reported on the monthly retirement report.
- Retirement withholdings and contributions for at least one month were not turned over to CERS timely, resulting in a \$1,000 penalty.

A strong internal control system over retirement is essential in ensuring that retirement benefits are calculated, reported, and paid over to CERS properly. Because the county did not have such, the aforementioned errors occurred. In order to strengthen internal controls over retirement, we recommend an individual independent of the payroll process, reconcile the monthly retirement reports to monthly payroll summaries. This reconciliation should include tying all wage and retirement amounts on the retirement report to the payroll summary. This reconciliation should then be reviewed by the County Judge/Executive and/or the Fiscal Court. Once the retirement report and payroll summary are deemed accurate, retirement benefits should be submitted to CERS timely.

Because of their nature and severity, the findings associated with retirement will be turned over to the County Employee Retirement System (CERS).

County Judge/Executive Viniard's response: Employee that was excluded had retired and came back, was unaware that County had to continue to match. Concerning retirement contributions we feel this is a software issue. We would welcome Ky. Retirement to come down and pay a visit to see what the issue happens to be. Concerning the penalty the treasurer was sick and was unable to submit report on time.

Auditor's reply: The employee excluded from the County's monthly retirement report was not a retired employee that returned to work. And while there may be software issues that are contributing to difficulties with calculating retirement withholdings and county contribution amounts, these issues are with the County's payroll software and not that of the County Employees Retirement System (CERS). Therefore, a visit by CERS would not remedy the problems noted with the County's retirement benefits. The problems noted are a direct result of very weak internal controls over the processing of retirement benefits. If implemented properly, the recommended internal controls and reconciliation procedures should detect any errors made with retirement withholdings and contributions in order for them to be corrected prior to being turned over to CERS.

Ballard County did not properly compensate employees for overtime. Ballard County Road Department employees were not properly compensated for hours worked in excess of 40 hours per work week. It is our understanding that road employees who worked in excess of 40 hours in one work week were to receive wages at an hour for hour rate, and be awarded compensatory time at one-half time for each hour worked in excess of the 40 hours. However, this was not the case. Instead, road employees were compensated with wages at an hour for hour rate for those hours worked in excess of 40, but no compensatory time was awarded.

According to KRS 337.285(1), “No employer shall employ any of his employees for a work week longer than forty (40) hours, unless such employee receives compensation for his employment in excess of forty (40) hours in a work week at a rate of not less than one and one-half (1-1/2) times the hourly wage rate at which he is employed. KRS 337.285(4) further states “Upon the written request by a county or city employee, made freely and without coercion, pressure, or suggestion by the employer, and upon a written agreement reached between the employer and the county or city employee before the performance of the work, a county or city employee who is not exempt from the provisions of the Federal Fair Labor Standards Act of 1938, as amended, 29 U.S.C. secs. 201 et seq., may be granted compensatory time in lieu of overtime pay, at the rate of not less than one and one-half (1-1/2) hours for each hour the county or city employee is authorized to work in excess of forty (40) hours in a work week.”

Because the County was neither paying its road department employees at a rate of one and one-half times their hourly wage rate, nor allowing them to accrue compensatory time in lieu of overtime pay, the County was not in compliance with KRS 337.285. Therefore, we recommend the County comply with KRS 337.285 by compensating road department employees with wages or compensatory time at a rate not less than one and one-half hours for each hour worked in excess of 40 hours in a work week.

County Judge/Executive Viniard's response: Treasurer appoints designee which most of the time is supervisor of each department to keep time cards and comp time records. Comp time has always been allowed in the road department and states that in the administrative code.

Auditor's reply: While comp-time may be allowed by the County's administrative code, it was not properly awarded to Road Fund employees who worked in excess of 40 hours in a work week. As part of testing procedures, auditors requested leave balances in order to determine compliance with KRS 337.285. Auditors were later told by the County Treasurer that employees received straight pay for overtime hours worked. The county should pay road department employees appropriately.

Ballard County Fiscal Court did not properly withhold health insurance from employees' checks. Ballard County was not withholding enough from employees' wages to cover the cost of health insurance. Therefore, the County was incurring more of the cost of employees' insurance than was approved by the Fiscal Court. Based on inquiry of the County Judge/Executive and review of the Fiscal Court minutes, the County was to contribute \$275 per month for those employees that enrolled in the County's health insurance coverage. In addition to that, the County contributed \$225 per month towards a health reimbursement account (HRA) for those employees, plus the \$6 HRA administrator's fee for a total monthly contribution of \$506. Employees were responsible for any amount in excess of the County's contribution. Our examination of health insurance premiums and payroll records revealed the proper amount of funds was not being withheld from employees' wages, resulting in the county overpaying for employees' health insurance coverage.

This overpayment was the result of weak internal controls over payroll and health insurance withholdings, including not having proper reviews of employees' withholding calculations. Strong internal controls over payroll withholdings, including health insurance, are vital in ensuring that proper amounts are withheld from employees' earnings, and that they are turned over to the appropriate parties. Strong internal controls also protect those individuals responsible for processing payroll. Because of their importance, we recommend the County strengthen internal controls over payroll withholdings. Controls such as a review of payroll earnings records, employee withholdings authorizations, and county personnel policies should be performed by an individual independent of the payroll process. This review should include a recalculation of withholding amounts and verification that these amounts are properly deducted from employees' earnings. This review should also include verification that withholdings amounts are reported properly and turned over to the appropriate parties. Once completed, the review should be signed by the individual performing the review, and submitted to the County Judge/Executive and/or Fiscal Court.

County Judge/Executive Viniard's response: Per insurance agent due to the Health Care Reform Act the County had open enroll twice in one year. County wasn't aware of the \$6 dollar administrative fee should have been added to employee. Will comply.

Ballard County Fiscal Court has material weaknesses and non-compliances surrounding payroll and timekeeping. The following findings were noted with Ballard County's payroll:

- Timesheets were not maintained for the County Treasurer and Finance Officer as required by KRS 337.320; however, overtime pay was awarded to them despite the fact that there were no timesheets to document the additional hours worked.
- Employees were not paid in accordance with the salary schedule approved by the Fiscal Court.
- Accumulated leave balances were not maintained for Ballard County Detention Center employees.

Strong internal controls over payroll and timekeeping are vital in ensuring that payroll amounts are calculated and accounted for properly. Strong internal controls are also important in protecting the county's assets and those given the responsibility of accounting for them, as well

as helping make certain the county is in compliance with state statute. Because the County failed to have either in place, the aforementioned findings occurred. In response to these findings, we make the following recommendations:

- Timesheets should be properly maintained for salaried employees as required by KRS 337.320.
- All timesheets should be signed by the corresponding employee and his or her supervisor.
- Employees should be paid in accordance with the salary schedule approved by the Fiscal Court. Any adjustments to this salary schedule should be properly reflected in the Fiscal Court minutes and included in employees' personnel files.
- Accumulated leave balances should be properly maintained, including those employees of the Ballard County Detention Center.

By implementing the above recommendations, the County can strengthen its internal control system over payroll and timekeeping, and reduce the risks of non-compliance and/or payroll errors, as well as protect itself against disputes regarding payroll amounts and leave balances.

County Judge/Executive Viniard's response: Treasurer and Finance Officer receive [sic] 6 hrs. per week. Timesheets will be keep [sic] in Judge Executive office. Accumulated leave from Jail is Jailer's responsibility.

The Fiscal Court shall expended funds in excess of revenues collected. As of June 30, 2014, Ballard County had fund deficits in both the Road and Bridge Fund and the Disaster and Emergency Services (DES) Fund. These deficits were caused by expenditures in excess of revenues collected. In the Road and Bridge Fund, expenditures totaling \$1,750,975 were offset by revenues totaling \$1,747,717, resulting in an ending fund deficit of \$3,258. In the DES Fund, expenditures totaling \$83,231 were offset by revenues totaling \$83,204, resulting in a fund deficit of \$27.

KRS 68.110(1) states, "The fiscal court shall not in any year expend any money in excess of the amount annually levied and collected for that year or levied, collected or appropriated for any special purpose." KRS 68.110(3) further states, "No member of the fiscal court shall knowingly vote for any appropriation or contract in violation of this section...." Because the County expended funds in excess of the revenues collected, the County was not in compliance with KRS 68.110. Therefore, we recommend the County comply with KRS 68.110 by monitoring fund balances more closely and not appropriating funds, which are not available.

County Judge/Executive Viniard's response: Will comply.

Ballard County Fiscal Court has material weaknesses over cash and financial reporting. The County's 4th Quarter Financial Report and the County Treasurer's Settlement were both materially misstated. According to the County's 4th Quarter Financial Report, the total fund balance of all budgeted funds was \$475,992 as of June 30, 2014. The County Treasurer's annual settlement for fiscal year 2014 reported a total fund balance of (\$110,778) for budgeted funds, a variance of \$586,770 between the two reports. The audited financial statement reports an

ending fund balance of \$613,169 for budgeted funds, a variance of \$137,177 with the 4th Quarter Financial Report and \$723,947 with the Treasurer's Settlement.

The variances and misstatements noted are the result of a weak internal control system over the cash and financial reporting system. Because of this weak internal control system, the transactions posted to the receipts and disbursements ledgers are not always in agreement with the actual transaction amounts, especially with payroll transactions and transfers. When the amounts posted to the receipts and disbursements ledgers do not agree with actual transactions, these misstatements occur.

To remedy the misstatements associated with cash and financial reporting, we recommend the County implement stronger internal controls. Controls such as a thorough review of the receipts and disbursements ledgers and bank reconciliations by someone independent of the accounting function can help detect misstatements and errors that have occurred. This review should include tracing transactions posted to the receipts and disbursements ledgers to actual bank statement transactions. It should also include agreeing fund balances between the quarterly report and bank reconciliations, checking for mathematical accuracy, and verification of bank reconciliation amounts. Once the ledgers and reconciliations are deemed accurate, the reviewer should document such, and submit the review to the Fiscal Court for approval. By implementing such procedures, the Fiscal Court can strengthen its internal control system and help ensure accurate financial reporting.

County Judge/Executive Viniard's response: This is due to payroll and County's cash flow. Will comply.

Auditor's reply: The material weaknesses over cash and financial reporting are not due to the County's payroll and cash flow problems. The material weaknesses over cash and financial reporting are a direct result of a lack of awareness on the part of the fiscal court that the County's financial reports should be in agreement. By properly implementing the recommended procedures, the County can strengthen internal controls over cash and financial reporting so that County's financial reports accurately reflect the financial position of the County.

Short-term borrowings were not in compliance with KRS 65.117 or KRS 65.7707. During the 2014 fiscal year, Ballard County took out three short-term notes payable to fund county operations. Two of these notes payable remained outstanding at the fiscal year end. While such short-term notes are allowable per statute, certain criterion needs to be met. According to KRS 65.117, "*No city, county, urban-county, consolidated local government, charter county, or special purpose governmental entity as defined in KRS 65A.010 shall enter into any financing obligation of any nature...without first notifying the state local debt officer in writing....*" KRS 65.7707 further states "*Notes payable shall mature on a date determined by the governing body which shall be no later than the last day of the fiscal year in which the notes are issued.*"(emphasis added).

Because the County neither notified the state local debt officer, nor paid off the obligations by the fiscal year end, the County was in non-compliance with both KRS 65.117 and KRS 65.7707.

Therefore, in the future, we recommend the Fiscal Court comply with said statutes by making the proper written notifications and satisfying short-term debt obligations by fiscal year end.

County Judge/Executive Viniard's response: The short term loans were secured by Certificates of Deposit. We were not aware of the KRS 65.117 or 65.7707. Short-term loans have been done before w/o being addressed by auditors.

Auditor's reply: The collateralization of short-term loans or notes has no bearing on the notification and approval requirements for such financial obligations. The *County Budget Preparation and State Local Finance Officer Policy Manual*, informally known as the DLG Budget Manual, addresses these notification and approval requirements in the "Local Government Financial Obligations" section of the manual. Furthermore, the collateralization of short-term loans or notes does not exempt the county from the maximum maturity date, which in this case was June 30, 2014.

Ballard County Materially Misstated Outstanding Debt Balances On The 4th Quarter Financial Report. The June 30, 2014 outstanding debt balances reported on the 4th Quarter Financial Report were misstated when compared to the actual debt balances confirmed with lenders.

Strong internal controls over outstanding debt and liabilities are necessary to ensure accurate financial reporting. Because the county failed to have a strong internal control system over liabilities and debt service, these misstatements were able to occur without detection. Therefore, we recommend the county strengthen internal controls over the reporting of debt service payments and outstanding balances. Internal controls, such as comparisons of payment amounts and outstanding balances to amortization and payment schedules, should be implemented. We also recommend the county consult with its lenders to verify outstanding debt balances are in agreement with the County's schedule of leases and liabilities. Such practices will strengthen internal controls over liabilities and debt service and ensure that proper amounts are reported.

County Judge/Executive Viniard's response: This is a software issue that is being addressed.

Auditor's reply: The County Judge/Executive's response states that a software issue resulted in the outstanding debt balances reported on the 4th Quarter Financial report being misstated. While it is true that a software issue may have contributed to the misstated amounts, the misstatements went undetected due to a lack of internal controls. If implemented properly, the recommended internal controls should detect any misstated debt balances so that they can be corrected and properly disclosed on the 4th Quarter Financial Report.

The Ballard County Fiscal Court did not pay invoices within 30 working days. On multiple occasions throughout fiscal year 2014, Ballard County failed to pay invoices within 30 working days of receipt of the invoice. According to KRS 65.140(2), “Unless the purchaser and vendor otherwise contract, all bills for goods or services shall be paid within thirty (30) working days of receipt of a vendor’s invoice except when payment is delayed because the purchaser has made a written disapproval of improper performances or improper invoicing by the vendor or by the vendor’s subcontractor.” Because there was no evidence of a contract between the county and its vendors, nor a written letter of disapproval, the County was not in compliance with KRS 65.140. Therefore, we recommend the County comply with KRS 65.140 by paying all claims within thirty working days of the receipt of a vendor’s invoice. If payment is not made within the 30 working days, we recommend the County have the necessary contract or letter of disapproval.

County Judge/Executive Viniard’s response: County does have contracts with some vendors, was not asked to review any. Some invoices are not received [sic] on time to be paid before another Fiscal Court meeting. Will comply to the best of our ability.

Internal controls over disbursements were weak. Material weaknesses exist over disbursements of Ballard County. For fiscal year 2014, the County had disbursements that did not have proper supporting documentation, disbursements that did not have proper fiscal court approval, and invoices that were not properly cancelled.

Strong internal controls over disbursements are essential in ensuring disbursements are properly approved and recorded. They are also vital to ensuring that all disbursements are for the official business of the county. By having weak internal controls over disbursements, the County assumes a higher risk of misstatement or fraud.

Because of their importance, we recommend the county strengthen internal controls over disbursements. By requiring all disbursements to have proper supporting documentation, fiscal court approval prior to payment, and invoices that are cancelled to prevent duplicate payment, the county can strengthen its internal control system and reduce the risks associated with disbursements.

County Judge/Executive Viniard’s response: The fiscal court initials bills each court meeting except for standing ordering [sic] that are already approved by court.

The Ballard County Fiscal Court had weak internal controls over capital assets.

Material weaknesses exist over the reporting of capital assets of Ballard County. The County’s schedule of capital assets for the period of audit included misstatements of the beginning asset balances, as well as assets purchased in the prior year that were included as current year additions.

Strong internal controls over capital assets are necessary to ensure accurate financial reporting and to protect assets from misappropriation. By having weak internal controls over capital assets, they are left vulnerable to misappropriation or misstatement.

In order to strengthen the county's internal controls over capital assets, we recommend the county establish a detailed inventory system. This system should include a detailed description of the asset, an inventory control number or serial number, the date acquired, purchase price, location, date destroyed or sold as surplus, and a brief description of why the asset was discarded. The inventory of county assets should be updated throughout the year as new assets are acquired or old assets are retired. We also recommend the county conduct a physical inspection of the county's assets at the end of each year to make comparisons to the county's list of inventoried assets.

County Judge/Executive Viniard's response: This has been resolved and up to date.

Internal controls over the collection of and accounting for payroll taxes were weak. Ballard County has material weaknesses surrounding the collection of payroll taxes, leaving them susceptible to errors and misappropriation. Weaknesses, such as the lack of a subsidiary ledger and the lack of record-keeping and collection of delinquent payroll taxes, put them at high risk that errors or fraud could occur and go undetected.

Strong internal controls over receipts are essential in ensuring that they are properly recorded. They also protect receipts from theft or misappropriation. Not only do strong internal controls protect the receipts at hand, but they also protect the individuals or employees that are in charge of accounting for them.

Therefore, we recommend the County strengthen internal controls over the collection of and accounting for payroll taxes. By implementing controls such as a subsidiary ledger, whereby all payroll tax receipts for each day are recorded, batched, and agreed to the daily deposits, and record-keeping and collection of delinquent taxes, the County can reduce the risks currently associated with payroll taxes.

County Judge/Executive Viniard's response: Payroll taxes are added up 3 different times by Finance officer + Treasurer each day. Delinquent notices are sent out after the quarter. I feel like we are doing the best we can.

Auditor's reply: By implementing the controls recommended in the comment above, including a subsidiary ledger and batched receipts, the County can strengthen its current internal control system by providing a paper trail from the physical receipt of the payroll tax, to the bank deposit, and to the general ledger posting. By doing so, the County will not only protect the receipts involved, but also the individuals involved in accounting for them.

The former Jailer failed to maintain proper accounting records and establish financial controls. Strong internal controls and proper accounting procedures are vital in ensuring that the jail commissary is accounted for properly. KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. This uniform system of accounts, as outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual* (DLG Manual), requires books of original entry be maintained for receipts and disbursements of all transactions of the fiscal court. They are also important in protecting the assets of the jail commissary, as well as those given the responsibility of accounting for them. Because the county failed to have either in place, the aforementioned findings occurred. In response to these findings, we make the following recommendations:

- At the end of each business day, the Jailer or assigned personnel should separate individual receipts into categories listed on the jail commissary check-out sheets as required by DLG Manual.
- Deposits should be made daily as required by the DLG Manual. The amount deposited should agree with the corresponding day's check-out sheet.
- Daily receipts should be posted to the jail commissary receipts journal on a daily basis as required by the DLG Manual. The total amount posted should agree with the corresponding day's check-out sheet and deposit.
- Jail commissary checks should be used in sequential order. Each check written should be posted to the jail commissary disbursements journal as required by the DLG Manual.
- Monthly bank reconciliations should be performed, reconciling the cash balance of the jail commissary to the bank balance as required by the DLG Manual.
- The Jailer should submit an annual jail commissary report to the County Treasurer as required by KRS 441.135(2).
- Proper supporting documentation should be maintained on all jail commissary expenditures.
- The Jailer should segregate the accounting functions of the jail commissary to the extent possible. For those duties that cannot be properly segregated due to a limited staff, the Jailer should provide strong oversight over these functions.
- Jail commissary profits should be properly turned over to the Jail Commissary Fund bank account.

By implementing the above recommendations, the Jailer can strengthen internal controls over the jail commissary and help ensure compliance with the statutes that govern it.

Former Jailer Mike Horn's response: The former jailer did not respond.

The former Jailer failed to deposit receipts into the Jail Inmate Account. In July 2014, \$19,605 was discovered locked in a file cabinet at the Ballard County Detention Center. These funds consisted of inmate monies, jail commissary commissions, phone commissions, and jail inmate pay from the state that were never deposited. These funds were made up of cash, checks, and money orders, some of which dated back to 2007. Because most of these checks and money orders were from previous years, the former Jailer's account was charged \$890 after the funds were deposited for items that were outdated. As a result, the balance of the jail inmate account is \$890 short of what it should be.

Minimum accounting and reporting standards, as prescribed by the state local finance officer pursuant to KRS 68.210, require daily deposits to be made. Given the fact that the former Jailer was responsible for the operations of the detention center, he is personally responsible for the charges on the jail inmate account. Therefore, we recommend the former Jailer pay \$890 from personal funds to the Ballard County Detention Center to be deposited into the jail inmate account.

Former Jailer Mike Horn's response: The former jailer did not respond.

Inmate fees collected at the detention center were not turned over to the County Treasurer timely. While performing audit procedures over jail commissary operations, we noted fees charged to inmates at the Ballard County Detention Center were not properly turned over to the County Treasurer for deposit into the Jail Fund. These fees charged to the inmates consist of funds collected at the detention center for past inmates, as well fees charged to the inmates' accounts while they are incarcerated. For the year of audit, neither type of receipt was turned over to the County Treasurer on a timely basis. As a result, Jail Fund revenues for the year were less than what they should have been.

Minimum accounting and reporting standards as prescribed by the state local finance officer pursuant to KRS 68.210 require daily deposits. Therefore, any fees collected at the detention center should be turned over to the County Treasurer to be deposited into the Jail Fund bank account on a daily basis. For those fees charged to inmates that are currently housed at the detention center, we recommend the Jailer establish a schedule with the County Treasurer for these fees to be turned over and deposited into the Jail Fund.

Former Jailer Mike Horn's response: The former jailer did not respond.

Ballard County did not properly balance their annual budget. Ballard County's operating budget for fiscal year 2014 was not properly balanced. Budgeted receipts of the Occupational Tax Fund did not agree with budgeted disbursements. Per the final approved budget, estimated receipts totaled \$1,805,900, while estimated disbursements totaled \$1,953,640, a difference of \$147,740 with disbursements exceeding receipts. This shortage of receipts appeared to be the result of an error made by the County.

According to KRS 68.220, "The county budget shall provide for all the funds to be expended by the county from current revenue for each fiscal year." By not having a balanced budget, the County could encounter a shortfall for the fiscal year. In the future we recommend that the County ensure that the budget for all funds is balanced in accordance with KRS 68.220.

County Judge/Executive Viniard's response: This was an error. Was not aware of error until now. DLG also missed this error or we would have corrected it.

Auditor's reply: The County budget process is the responsibility of the County Judge/Executive and the Fiscal Court. While the Department for Local Government (DLG) is a part of the budget

process, it is not the responsibility of DLG to detect and/or correct any errors on the County's budget.

The audit report can be found on the [auditor's website](#).

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