



Auditor of Public Accounts
Mike Harmon

FOR IMMEDIATE RELEASE

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Harmon Releases Audit of Butler County Fiscal Court

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statements of the Butler 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 Butler County Fiscal Court in accordance with generally accepted accounting principles 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 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:

The Butler County Fiscal Court has a lack of segregation of duties over receipts. Good internal controls include a segregation of duties over the accounting functions involving receipts. The County Treasurer deposits the receipts and posts transactions into the accounting system. The County Treasurer also prepares reports for submission to the Department for Local Government and prepares other necessary financial documentation. There were no documented compensating controls to offset the lack of segregation of duties that would reduce the deficiency to less than significant level.

Lack of segregation of duties could result in undetected misappropriation of assets and/or inaccurate financial reporting to external agencies such as the Department for Local

Government. In addition, too much control by one individual without oversight can lead to fraud that could go undetected.

We recommend that the County divide the responsibilities for receipts among the County Treasurer, Finance Officer, and other County employees in order to achieve an appropriate level of segregation of duties or implement compensating controls over these areas.

Judge/Executive's response: The official did not respond.

The Butler County Jail has a lack of segregation of duties over Jail Commissary and inmate accounts. The bookkeeper for the Jail Commissary prepares deposits, prepares daily checkout sheets, and posts to the receipts ledger. In addition, the bookkeeper prepares monthly collection and disbursement reports, writes and signs checks, posts to the disbursements ledger, and prepares the monthly bank reconciliations. The Jailer or another individual did not document oversight of any of these activities.

Lack of oversight could result in undetected misappropriation of assets and/or inaccurate financial reporting. The Jailer should offset the lack of adequate segregation of duties by implementing compensating controls such as periodically performing surprise cash counts, reviewing the bank reconciliations, and comparing the daily deposits to the daily checkouts and the receipts ledger, reconciling any differences. In addition, the Jailer should compare the monthly reports to the receipts and disbursements ledgers for accuracy. Initialing and dating the bank reconciliations, bank deposits, daily checkout sheets, receipts and disbursements ledgers, and reports can document this review.

Jailer's response: Small facility will work on getting someone to assist on duties.

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

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