



Auditor of Public Accounts
Mike Harmon

FOR IMMEDIATE RELEASE

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Harmon Releases Audit of Nelson County Fiscal Court

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statement of the Nelson County Fiscal Court for the fiscal year ended June 30, 2017. 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 fund balances of the Nelson County Fiscal Court in accordance with accounting principles generally accepted in the United States of America. 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 noncompliance with laws, regulations, contracts, and grants. The auditor must also comment on material weaknesses involving internal control over financial operations and reporting.

The audit contains the following comments:

The Nelson County Fiscal Court has weak controls and oversight over off-site collections: The Nelson County Fiscal Court has insufficient oversight of receipts collected at some off-site locations. While the county treasurer receives sufficient documentation from some off-site locations to balance the collection system to the deposit, she does not receive this information for all locations, including the landfill, the third party service organization responsible for collecting garbage collection fees, and the jail.

- Landfill - Cash, checks, and credit card payments are collected and deposited by personnel at the landfill. Landfill personnel compile a monthly spreadsheet that shows each day's receipts and provide this to the county treasurer. Copies of the receipts issued or the daily reports are not included. The landfill does not fully close out their receipts to a system report or make deposits daily, causing the monthly report not to agree with the actual deposits. Therefore, there is not enough supporting documentation available for reconciliation of the deposit to the receipts. The county treasurer posts to the receipts ledger from the deposit in the bank account instead of the actual receipt activity.
- Garbage Collection Fees - During review of collection procedures at the third party service organization, we noted the organization has the capability of providing a report to the county treasurer showing collection activity. However, this report has not been requested or required by the fiscal court.
- Jail - There is no supporting documentation provided for bonds, booking fees, boarding fees, drug or medical because the fiscal court has not requested or required supporting documentation. Furthermore, the fiscal court has not requested monthly payments from the jailer for those fees.

The Nelson County Fiscal Court failed to provide proper oversight over off-site locations. Good internal controls dictate that deposits be reconciled to receipts, or a system generated report, to ensure all transactions are included and deposited daily. Receipts should be settled daily and be approved by someone independent of the collection and reconciliation process. A lack of reconciliation of the activity to the supporting source documentation increases the risk that undetected errors or fraud could occur in these areas.

We recommend the following:

- Landfill - We recommend the fiscal court and landfill develop a daily checkout process to reconcile the daily receipts against the transactions posted in their system to provide support for the county treasurer's deposits. This reconciliation should be approved and verified by someone independent from the collection and reconciliation process. We also recommend the landfill deposit their receipts daily and balance their cash drawer to the same amount daily as well. The purchase of a small safe for storage of the daily cash receipts would be recommended to keep the funds secure. If the purchase of a safe is not feasible, the landfill manager should turn the cash receipts over to the treasurer daily when the landfill closes for the day.
- Garbage Collection Fees - We recommend the treasurer require a monthly report from the service organization be submitted along with the check as support for the deposit. Inquiry of the service organization has indicated that a report can be given to the county treasurer.
- Jail - We recommend the fiscal court obtain support from the jail to agree with the amounts being turned over to the county.

County Judge/Executive's Response: Additional compensating controls have been, and will continue to be, implemented among all departments responsible for collecting and turning over receipts to the Treasurer.

Auditor's Reply: Compensating controls were not evident. Cross checking procedures should be documented by the individual performing the procedure.

The jail is not following proper procedures over receipts: Jail receipts are not accounted for in numerical sequence and are not batched and deposited on a daily basis. During the completion of the daily checkout sheets, the monies are not being separated into cash and checks and noted as such on the daily checkout sheets. Receipts were not batched and deposited daily due to lack of staff. Because multiple receipt books were used, receipts were not accounted for in numerical sequence.

The cumulative effect of these control weaknesses and non-compliances over receipts increases the risk of financial statement misstatement caused by error or fraud. Based on the minimum accounting and reporting standards as prescribed by the state local finance officer pursuant to KRS 68.210, the jail should prepare checkout sheets and make deposits daily. Receipts should be issued numerically and accounted for daily.

We recommend the jailer account for all receipts in numerical order and make deposits daily. Furthermore, we recommend the jailer implement policies and procedures to ensure daily checkout sheets indicate the amount of cash and checks collected and amounts listed on the daily checkout sheets agree to the daily deposit ticket.

County Judge/Executive's Response: The treasurer and judge-executive will follow up with the jail to ensure that proper procedures are in place for receipt collection, check out sheets, and daily deposits.

Jailer's Response: 11/8/17 Our booking system was changed to [vendor] that has corrected these problems accounting. We have added a kiosk at booking for inmates to deposit money. We only have 2 receipt books.

Auditor's Reply: Auditors noted a minimum of three receipt books being used during one month, our sample period.

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

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