



Auditor of Public Accounts
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Harmon Releases Audit of Ohio County Fiscal Court

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statement of the Ohio County Fiscal Court for the fiscal year ended June 30, 2015. 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 Ohio 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 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 Ohio County Jail lacks adequate internal controls over commissary transactions and inmate fees. The jailer prepares deposits, prepares checkout sheets for inmate fees, handles cash collected, and approves and signs commissary checks. Cash is collected by all deputies with only manual written receipts as documentation. No ledgers are being maintained to track inmate fees charged or collected. During review of internal controls, auditors also noted no key controls in place to prevent the misappropriation of assets and inaccurate financial reporting.

This lack of internal controls is a result of a limited budget, which restricts the number of qualified employees the fiscal court can hire for accounting functions. Without the proper internal controls, the jailer creates the opportunity for undetected misappropriation of assets and

inaccurate financial reporting. Good internal controls dictate that duties over the various accounting functions such as preparation of deposits, checkout sheet preparation, collection of cash, and preparation of checks be segregated in order to lower the risk of undetected misappropriation of assets and inaccurate financial reporting. Good internal controls also dictate that accurate and sufficient records be maintained in order to ensure all fees collected are deposited by the county treasurer. We recommend the Ohio County Jail implement internal controls over commissary transactions and inmate fees collected.

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

Jailer Gerry Wright's response: We are working with jail tracker to fix software problems, and Microsoft Excel.

The Ohio County Jail did not properly utilize accounting software. The Ohio County Jail has purchased accounting software; however, the jail employees are not utilizing the accounting software properly. The accounting software can be used to maintain accounting records such as receipts and disbursements ledgers, maintain inmate accounts, generate reports showing fees collected and owed to the fiscal court, as well as other functions. However, at this time, the jail is not using the software to maintain any accounting records. During testing, auditors also noted that inmate contracts were not properly maintained in the accounting software. When a payment is made on an inmate's contract, the jail is unable to generate a report that documents what has been paid on the contract.

According to the jailer, the jail has been having issues with the accounting software. He feels that the system is not doing everything that he needs it to do. By not properly utilizing the accounting software, the jail has not maintained accurate accounting records. Good internal controls dictate that the jail maintain accurate accounting records and ensure that all fees are being collected and recorded properly. We recommend the Ohio County Jail properly utilize the accounting software and maintain proper accounting records.

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

Jailer Gerry Wright's response: Is being corrected every day. We will have jail tracker training on account issues and Jail Tracker staff will conduct said training.

The Ohio County Jail did not maintain inmate reports. The Ohio County Jail did not maintain inmate reports to document fees paid by the inmates. If the inmate does not get work release then the jail does not maintain any reports showing what fees were paid by the inmate. The only supporting documentation maintained by the jail for these inmates is the copy of the receipt written when the fee was paid. Inmate reports were not maintained because the jail employees are not properly utilizing the accounting software. When inmates made payments on their contracts, the balance owed is decreased in the accounting software. However, the jail employees are not recording the receipt in the accounting software. By not maintaining inmate reports, there is no supporting documentation to show how much the inmates have paid. Inmates could pay an incorrect amount or not pay enough. Good internal controls dictate that proper

records are maintained to ensure that all inmate fees are paid and that accurate amounts are paid. We recommend the Ohio County Jail maintain proper inmate reports.

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

Jailer Gerry Wright's response: We are working on keeping better document reports.

The Ohio County Fiscal Court had weak internal controls over golf course receipts and did not require daily deposits. The Ohio County Fiscal Court has a lack of adequate controls over the off-site collections of golf course receipts. The golf course manager was preparing receipt check out sheets that were not monitored by the fiscal court. Receipts were not issued to individuals at the golf course. Batched receipts were not attached to the checkout sheets. Detailed checkout sheets were not prepared daily. There were voids/refunds every day with no supporting documentation of the reason for the void/refund. Additionally, deposits were not made daily.

A lack of adequate internal controls over off-site collections at the golf course increased the risk that cash could be misappropriated. Strong internal controls are essential for providing protection against fraud and errors, and to protect employees in their normal course of duty. KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* requires deposits be made daily. We recommend internal controls be strengthened for decentralized golf course receipts. We recommend that golf course receipts collected at off-site locations be deposited daily and be properly supported with batched receipts. Additionally, we recommend that all voided transactions be properly supported and all refunds be made by check at the county treasurer's office.

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

The Ohio County Fiscal Court's capital asset schedule was inaccurate. The county did not record all capital assets and listed regular inventory items on their capital asset schedule. The county keeps a rolling inventory list with all items that are insured. This list is what was provided as a capital asset schedule. Auditors recommended adjustments to increase infrastructure by \$839,381 and equipment by \$210,416. These adjustments were needed to reflect assets that had not been included in the beginning balance or additions. The county was keeping this list to stay updated with the insurance company, and assumed that the listing is what was expected for a capital asset schedule. The effect of this lack of adequate internal controls has led to improper reporting of the county's capital assets. KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. According to the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*, capital asset records are necessary for proper asset valuation, adequate and accurate insurance coverage, internal control, and long range planning for property placement. We recommend the fiscal court maintain up to date capital asset records and ensure that these records are accurate.

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

The Ohio County Jail did not deposit inmate fees daily or submit these fees to the county treasurer timely. Auditors tested receipts collected from January 5, 2015 through January 9, 2015. These receipts were not deposited into the bank by the Ohio County Jail. They were batched with receipts collected January 5, 2015 through January 19, 2015, then turned over and deposited into the jail fund by the county treasurer on February 23, 2015. Auditors also noted one instance in which receipts collected from August 25, 2014 through September 6, 2014 were not turned over to the county treasurer until March 24, 2016. The jail was not making daily deposits because they did not maintain a bank account for inmate fees. They have been depositing these fees collected directly into the jail fund for several years. According to the jailer, the batched receipts were not turned over to the treasurer timely because he only has a part-time bookkeeper so he prepares the checkout sheets along with his other duties.

By not depositing the receipts into a bank account or turning them over to the treasurer daily, the jailer is creating the opportunity for undetected misappropriation of assets. KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. According to the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*, those standards include performing daily check-out procedures and making daily deposits intact to a federally insured banking institution. We recommend the Ohio County Jail deposit all receipts collected into the bank daily or turn them over to the county treasurer daily to be deposited.

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

Jailer Gerry Wright's response: This is being done Monday through Friday every week.

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

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