

**DATA BULLETIN:**

**THE ESTABLISHMENT AND OVERSIGHT OF  
MULTI-COUNTY REGIONAL JAILS IN KENTUCKY**



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS**



**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

May 22, 2019

To the People of Kentucky:

The Auditor of Public Accounts (APA) has examined available data regarding regional jails in Kentucky as a matter of public interest to taxpayers. My motto has been to “Follow the Data,” so to help with that we intend to highlight data from time to time that is of public interest.

The purpose of this data bulletin is to inform the public about the requirements to create a multi-county regional jail, the multi-county regional jails established in the Commonwealth, and the oversight involved to monitor these jails. Relevant state laws and agency provided information is presented by the APA, but the data has not been audited by APA.

This information is intended to promote the public’s awareness and generate further discussion about multi-county regional jails in Kentucky. If you have information or concerns related to regional jails or other uses of public funds, please contact our office at 1-800-KY-ALERT.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Harmon".

Mike Harmon  
Auditor of Public Accounts

## Multi-County Regional Jails Overview

Effective July 13, 1984, KRS 441.800 allows two or more counties to establish a regional jail authority through ordinances. Only four regional jail authorities have been created under this statute. According to KRS 441.800, this authority is considered a public body having all the powers to carry out and effectuate the purposes and provisions of this statute and KRS 441.810. This includes the power, authority, and duties of counties related to the operation of jails and the incarceration of prisoners.

As defined in KRS 441.005(7), regional jails are those that may house prisoners for up to one year and is:

- (a) Owned and operated by one (1) county and, on a regular basis, holds prisoners for another county or for the state; or
- (b) Owned and operated by two (2) or more counties through a regional jail authority as provided in KRS 441.800.

While this definition of regional jails appears to encompass many full-service jails in Kentucky, the purpose of this bulletin is to discuss the multi-county regional jails as defined in KRS 441.005(7)(b). Some county jails are called “regional jails” and may meet the definition under KRS 441.005(7)(a), but these are not addressed in this bulletin. Kentucky’s Department of Corrections (DOC) only distinguishes a jail as regional if it is operated by a regional jail authority, although several jails have the word “regional” in their title. DOC expressed concerns about this definition because it restricts a jail’s ability to house inmates for longer than a year.

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Counties have been statutorily allowed to create a multi-county regional jail authority since 1984, but only four have been established.

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KRS 441.810 outlines the required composition of the regional jail authority. Members serve four-year terms. They are not to be compensated for their services, but may be reimbursed for actual expenses incurred. The required members are as follows:

The regional jail authority shall be composed of members appointed by the county judges/executive of the respective counties within the authority and the jailer of the county where the regional jail is located. The county judge/executive of the most populous county shall appoint three (3) members to the authority, and the remainder of the county judges/executive shall each appoint two (2) members.

An important difference between a regional jail and a county jail is that the regional jail authority provides the oversight for regional jails, while the county’s elected jailer and fiscal court oversee county jails. Instead of the elected jailer, regional jails have a jail administrator appointed by the regional jail authority. The elected jailer in the county where the facility is located is required to be a member of the regional jail authority, but there is no requirement that the other counties’ elected jailers are members unless appointed by the county judge/executive.

No statutes require any specific financing arrangements or cost sharing methods, so these must be determined by the regional jail authority. Therefore, jail fees and funding methods vary depending on the actions of the regional jail authority.

DOC contracts with regional jails in the same manner as a county jail. All jails that contract with DOC must comply with the state's jail standards established by administrative regulations under Title 501 in Chapters 2, 3, 7 and 13. These standards require the adoption of specific policies and procedures regardless of who oversees the entity.

### Kentucky's Four Multi-County Regional Jails

In its 120 counties, Kentucky has 76 county jails operated by elected jailers and fiscal courts, and four multi-county regional jails operated and owned by a regional jail authority. The following Figure 1 provides basic statistics for these four facilities.

Figure 1: Kentucky Regional Jail Data

<b>Entity Name</b>	<b>Date Established</b>	<b>Location</b>	<b>Counties Included</b>	<b>Total Revenue (FY 2018)</b>	<b>Last Audit Conducted</b>
<b>Big Sandy Regional Detention Jail Authority</b>	10-12-1986	Paintsville, Ky.	Johnson, Lawrence, Magoffin, Martin	\$2,770,205	FY 2017
<b>Three Forks Regional Jail</b>	01-01-2001	Beattyville, Ky.	Lee, Owsley, Wolfe	\$2,797,367	FY 2017
<b>Kentucky River Regional Jail</b>	07-01-2005	Hazard, Ky.	Knott, Perry	\$3,097,865	FY 2015
<b>Bourbon County – Nicholas County Regional Jail Authority</b>	07-10-2010	Paris, Ky.	Bourbon, Nicholas	\$2,083,000	None

Source: APA based on data from the Department for Local Government maintained for the regional jails in the Special Purpose Governmental Entity (SPGE) database and interviews with the regional jails.

### Regional Jail Audits

For regional jails, it is the responsibility of the regional jail authority to ensure that audits are conducted. County jails are audited in conjunction with the fiscal court's annual financial statement audit.

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In order for a jail to contract with DOC to house state prisoners, DOC conducts two annual inspections, one announced and one unannounced, to ensure jail operations and services comply with Kentucky's jail standards. However, these inspections are not financial statement audits.

According to DOC's Director of Local Facilities, the jail standards contained an audit requirement but this was removed from Kentucky's jail standards effective March 4, 2016. Before the removal of this requirement, DOC received the jails' audits but no one was actually reviewing or taking any actions based on these audits. This decision was made knowing that the county jail would be audited with the county's fiscal court.

In 2013, the Kentucky General Assembly passed House Bill 1, now codified in KRS Chapter 65A, which rewrote the definition of a special district, now called a "Special Purpose Governmental Entity" (SPGE). Along with financial disclosure and audit requirements, KRS 65A requires all SPGEs to register annually with the Department for Local Government (DLG) and provide the required documents so that this information is accessible to the public.

All four of the multi-county regional jails meet the definition of an SPGE and have registered with DLG, but only two have submitted the required audits. As SPGEs with revenues over \$500,000, KRS 65A.030 requires the regional jails to be audited every year. The statute allows SPGEs 12 months to complete the audit and submit it to DLG.

The Kentucky River Regional Jail had a FY 2015 audit conducted after the jail found payroll irregularities and an investigation by the Attorney General's office was conducted. This audit was not submitted to DLG. According to the Kentucky River Regional Jail Treasurer, an auditor has been engaged and the FY 2016 and 2017 audits are in progress. According to the Treasurer, these audits are being conducted based on the recommendations from the Attorney General and not because of the SPGE audit requirements. DLG staff contacted the regional jail in 2018 and determined that it should be registered as an SPGE, but no audits have been submitted.

Although registered with DLG as an SPGE since FY 2014, Bourbon County-Nicholas County Regional Jail Authority has not conducted or submitted an audit to DLG. Therefore, registering as an SPGE is no guarantee that audits will be conducted.

KRS 65A.030(5) requires DLG to determine "when each [SPGE] was last audited, and shall notify the [SPGE] of when each audit or attestation engagement is due[.]" KRS 65A.040 establishes the required actions if an SPGE is noncompliant with their submissions to DLG. These actions are documented in KRS 65A.040(2)(c) as follows:

(c) Failure to submit compliant information:

1. Will result in:

- a. Any funds due the entity and in the possession of any agency, entity, or branch of state government being withheld by the state government entity until the report or information is submitted; and

- b. Publication of a notice of noncompliance in a newspaper having general circulation in the area where the special purpose governmental entity operates; and
- 2. May result in the Auditor of Public Accounts or the auditor's designee performing an audit or special examination of the special purpose governmental entity at the expense of the entity.

KRS 65A.040(3) requires DLG to notify the Auditor of Public Accounts, among others, of noncompliance with reporting and auditing requirements. As noted in the letter dated December 15, 2017 attached as Appendix C to this report, DLG has not notified the Auditor of Public Accounts of the regional jails and other SPGEs who have failed to comply with audit or attestation requirements under KRS 65A.020.

**Composition of Regional Jail Authorities**

KRS 441.810 establishes the required composition of a regional jail authority. The following Figure 2 illustrates the required membership for each county that operates a regional jail:

Figure 2: Required Composition of a Regional Jail Authority

<b>County</b>	<b>Required Members</b>
County Where Jail Located	1 member appointed by the Judge/Executive, and Elected County Jailer
Most Populous County	3 members appointed by the Judge/Executive
Other Counties Within Authority	2 members appointed by each county's Judge/Executive

Source: APA based on KRS 441.810.

Compliance with this requirement is reflected in the bylaws of the four regional jails. For each jail, Figure 3 on the next page summarizes the membership requirements as used in their bylaws:

Report continues with Figure 3 on next page.

Figure 3: Regional Jail Authority Membership Requirements Per Bylaws

Entity Name	Members of the Regional Jail Authority Per Bylaws
<b>Big Sandy Regional Detention Jail Authority</b>	Members of the authority shall be appointed by the County Judge Executives of Johnson, Lawrence, Magoffin, and Martin Counties. The Jailer of Johnson County will always be a member of the authority by virtue of his office. The Regional Jail Authority is comprised of two (2) members from each County, with the largest county population having one extra member based upon the latest census taken.
<b>Three Forks Regional Jail</b>	Members of the Authority shall be appointed by the County Judge/Executives of Lee, Owsley and Wolfe Counties. The Jailer of Lee County will always be a member of the Authority by virtue of his office. The Regional Jail Authority is comprised of two (2) members from Owsley County and two (2) members from Wolfe County, based on the latest Census taken, the county with the largest population shall have one (1) extra member, therefore Lee County has three (3) members on the Authority.
<b>Kentucky River Regional Jail</b>	The Perry County Jailer shall be a member of the Board of Directors for a term equal to the term of office. The Perry County Judge/Executive shall appoint three directors. The Knott County Judge/Executive shall appoint two directors.
<b>Bourbon County – Nicholas County Regional Jail Authority</b>	The Bourbon County Jailer shall be a member of the Board of Directors of the Authority for a term equal to the term of office in his or her capacity as Jailer; the Bourbon County Judge-Executive shall appoint three directors; and the Nicholas County Judge-Executive shall appoint two directors.

Source: APA based on the bylaws provided by each regional jail.

### Funding Methods at Regional Jails

Since there are no required methods for the counties to use in funding the regional jails, the methods and approved daily housing fees differ. Figure 4 on the following page illustrates the funding methods used and the housing fees charged by each regional jail.

Report continues with Figure 4 on next page.

Figure 4: Financing Methods and Housing Fees Adopted by Each Regional Jail

Entity Name	Funding Method	Daily Housing Fees Charged
<b>Big Sandy Regional Detention Jail Authority</b>	Each of the four counties' fiscal court pays the daily housing fees for their prisoners, along with any outside medical costs associated with these prisoners. State prisoners pay the state housing fee per day, but there is no reimbursement for any outside medical costs incurred for state prisoners. Currently, there are no bond or mortgage payments for the building.	\$22 for County Prisoners \$31.34 for State Prisoners
<b>Three Forks Regional Jail</b>	According to financial disclosure notes in the most recent financial statement audits of Owsley and Wolfe fiscal courts, each county pays a portion of the mortgage bond for the jail building. According to this note, Lee pays 40%, Owsley pays 22%, and Wolfe pays 38%. However, according to its fiscal officer, this method was not working and now the fiscal courts are paying the adopted daily housing fee and any outside medical costs. The regional jail is responsible for the outside medical costs of other county prisoners and state prisoners.	Housing Fee - \$25 for Lee, Owsley, and Wolfe Housing Fee - \$32 for all other counties. State Housing Fee - \$31.34
<b>Kentucky River Regional Jail</b>	Perry County's jail was used for the regional jail and there is still a bond payment for which the Perry County Fiscal Court pays 75% and the Knott Fiscal Court pays 25%. According to the regional jail's treasurer, this is also the split for the insurance payments. Knott and Perry's fiscal courts pay the approved daily housing fees, while other counties have a different approved fee. State prisoners pay the state housing fee per day.	Perry and Knott counties pay a housing fee of \$26/day and other counties pay \$30/day. State Housing Fee - \$31.34
<b>Bourbon County – Nicholas County Regional Jail Authority</b>	While the Bourbon Fiscal Court does not pay a daily housing fee, there is a lease agreement between the Bourbon Fiscal Court and the regional jail for the building, with the jail paying \$1/year in rent and it has paid any excess expenses as	Nicholas County Fiscal Court pays \$32/day Harrison County Fiscal Court pays \$33/day



	needed by the regional jail. The Nicholas County Fiscal Court pays a daily housing fee and the jail has contracts with other counties at an approved daily housing fee. The jail was recently expanded and a bond issued, but it has not yet been determined if any changes will be needed to fund the regional jail.	Robertson County Fiscal Court pays \$34/day  State Housing Fee - \$31.34
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Source: APA based on data from applicable financial audits, lease agreements, and interviews with the regional jails.

### Financial Information on Regional Jails

DOC does not maintain financial information related to jails, except for the data to support the DOC payments made. The Kentucky Jailer's Association does not maintain data related to the fees charged by regional jails or county jails.

To provide financial information related to these four regional jails, we were able to obtain the FY 2017 audited financial statements for the two regional jails that had both completed an audit for that year. For the other two, we asked for the unaudited information related to revenues and expenses, for information purposes only. The following Figure 5 illustrates the audited and unaudited information obtained.

**Figure 5: FY 2017 Financial Information by Regional Jail**

<b>Statement Category</b>	<b>Big Sandy Regional Detention Jail Authority (Cash Basis)</b>	<b>Three Forks Regional Jail (Modified Cash Basis)</b>	<b>Kentucky River Regional Jail (Unaudited)</b>	<b>Bourbon County – Nicholas County Regional Jail Authority (Unaudited)</b>
Total Revenue	\$2,695,413	\$2,893,554	\$2,238,021	\$2,114,754
Total Expenditures	\$2,602,718	\$2,824,715	\$2,655,638	\$2,065,303
Excess (deficiency) of revenues less expenditures	\$92,695	\$68,839	(\$417,617)	\$49,451
Plus: Other Financing Sources	\$90,898	\$319	*	*
Net Change in Fund Balance	\$183,593	\$69,157	*	*

Source: APA based on the FY 2017 financial statements for the Big Sandy Regional Detention Jail Authority and Three Forks Regional Jail. For the other two regional jails, this unaudited information was based on information provided by the regional jail's treasurers.

\*This information is not reported due to a lack of audited data for FY 2017.

## Inmate Population at Regional Jails

For all four of the regional jails, we have reviewed the intake numbers provided to DOC in order to provide this snapshot of the inmate population. The following Figure 6 provides these totals as of May 9, 2019.

Figure 6: Inmate Populations

Entity Name	Total Beds	Total Inmates	County Inmates	State Inmates
<b>Big Sandy Regional Detention Jail Authority</b>	140	222	156	66
<b>Big Sandy Regional Detention Jail Authority – JRC *</b>	10	4	0	4
<b>Three Forks Regional Jail</b>	182	313	188	125
<b>Kentucky River Regional Jail</b>	135	248	175	73
<b>Bourbon County – Nicholas County Regional Jail Authority</b>	197	273	115	158

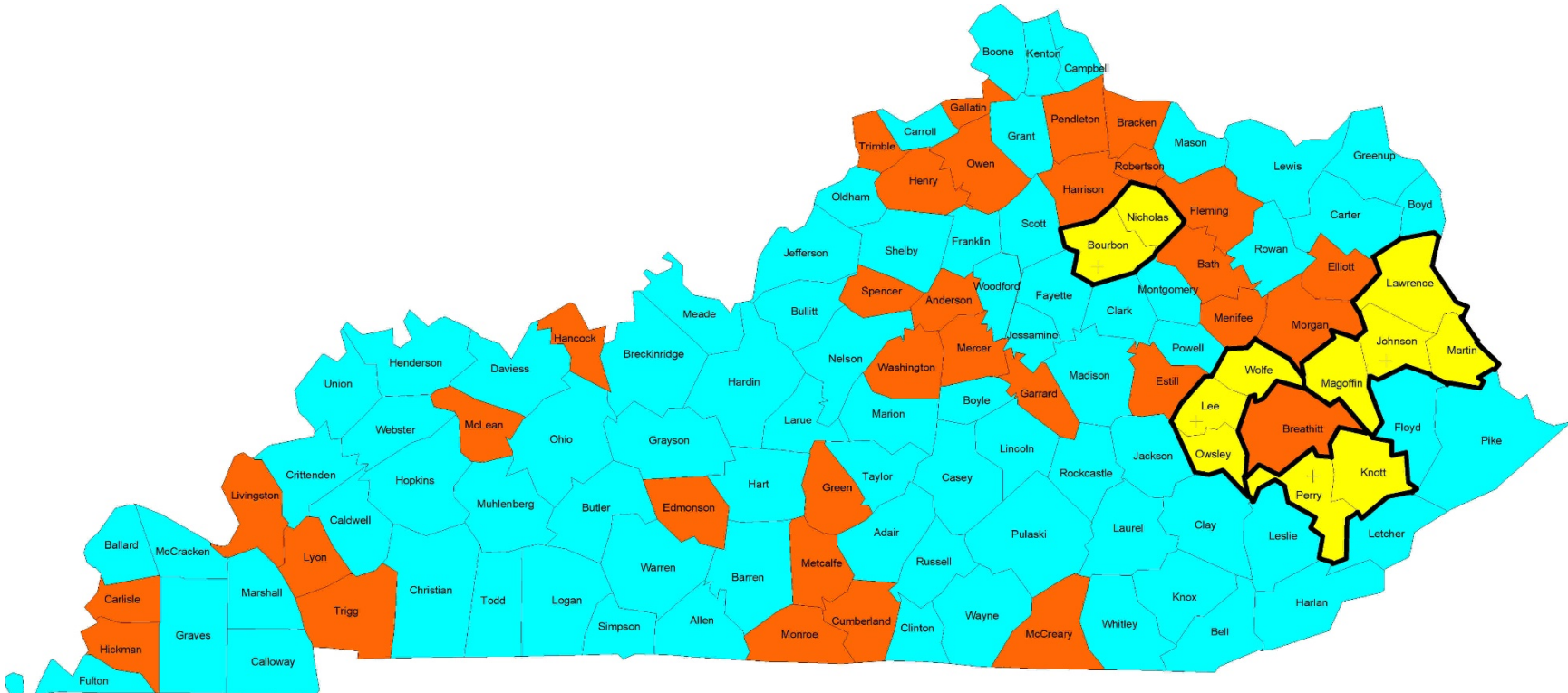
Source: APA based on the Department of Corrections Weekly Jail Population Report on May 9, 2019

Note: See Appendix B for the inmate population at all other jails monitored by DOC.

\* The Department of Corrections defines JRC as jail restricted custody, which are beds in a section of the jail designed for community/minimum custody housing.

Appendix A: Map of Regional and County Jails

- County Jail (76 Counties)
- Mulit-County Regional Jail (11 Counties)
- No Jail (33 Counties)



Source: APA based on data from the Department of Corrections.  
+ - County where regional jail is located.

Appendix B: Inmate Population Information for Local Facilities

The acronyms used in this report are defined as follows by the Department of Corrections:

**RCC** - Restricted Custody Center is a standalone building, separate from the jail, designed for community/minimum custody housing.

**JRC** - Jail Restricted Custody beds are in a section of the jail designed for community/minimum custody housing.

**SAP** - Substance Abuse Program

<b>Local Facility</b>	<b>Total Beds</b>	<b>Total Inmates</b>	<b>County Inmates</b>	<b>State Inmates</b>	<b>Federal Inmates</b>
Adair	51	110	94	16	0
Adair RCC	31	27	0	27	0
Allen	72	79	46	33	0
Ballard	78	66	25	41	0
Barren	178	257	166	91	0
Bell	59	169	130	39	0
Boone	424	494	241	81	172
Boone RCC	72	46	9	37	0
Boyd	206	322	246	76	0
Boyle	140	188	140	48	0
Boyle JRC	80	63	0	63	0
Breckinridge	191	205	59	146	0
Bullitt	251	230	144	86	0
Bullitt JRC	64	52	4	48	0
Butler	36	54	31	23	0
Calloway	129	158	112	46	0
Calloway RCC	34	33	0	33	0
Campbell	561	531	224	269	38
Campbell RCC	124	113	3	110	0
Carroll	88	151	114	37	0
Carter	144	230	103	51	76
Casey	162	211	78	133	0
Casey JRC	69	69	0	69	0
Casey RCC	40	40	0	40	0
Christian	558	719	247	469	3
Christian RCC	94	68	2	66	0
Clark	156	246	160	86	0

<b>Local Facility</b>	<b>Total Beds</b>	<b>Total Inmates</b>	<b>County Inmates</b>	<b>State Inmates</b>	<b>Federal Inmates</b>
Clark JRC	37	41	0	41	0
Clay	234	332	175	157	0
Crittenden	133	170	27	80	63
Crittenden RCC	39	39	0	39	0
Daviess	482	561	275	203	83
Daviess RCC	124	78	4	74	0
Daviess RCC	35	0	0	0	0
Daviess SAP	58	57	19	38	0
Fayette	1,266	1,373	972	334	67
Floyd	112	147	103	44	0
Franklin	220	250	143	77	30
Franklin RCC	104	58	0	58	0
Fulton	449	446	17	429	0
Fulton JRC	40	41	0	41	0
Fulton RCC	36	35	0	35	0
Grant	280	234	61	173	0
Grant JRC	68	60	0	60	0
Graves	65	106	81	25	0
Graves RCC	80	51	1	50	0
Grayson	337	472	76	17	379
Grayson JRC	73	76	2	74	0
Grayson Old Jail	48	61	23	12	26
Grayson RCC	60	45	1	44	0
Greenup	98	112	56	56	0
Hardin	382	494	356	138	0
Hardin Owsley Ray RCC SAP	48	47	15	32	0
Hardin RCC	160	109	19	90	0
Hardin SAP	56	54	17	37	0
Harlan	227	225	74	151	0
Hart	97	138	103	35	0
Hart JRC	83	74	2	72	0
Henderson	466	579	102	212	265
Henderson RCC	100	86	13	73	0
Hopkins	416	268	41	210	17
Jackson	79	126	52	74	0
Jefferson	1,791	1,927	1,604	323	0

<b>Local Facility</b>	<b>Total Beds</b>	<b>Total Inmates</b>	<b>County Inmates</b>	<b>State Inmates</b>	<b>Federal Inmates</b>
Jessamine	96	134	121	13	0
Jessamine RCC	41	25	0	25	0
Kenton	602	718	552	161	5
Larue	103	100	39	61	0
Larue JRC	49	59	0	59	0
Laurel	251	468	254	121	93
Laurel RCC	49	49	22	27	0
Leslie	141	299	169	130	0
Letcher	54	119	84	35	0
Lewis	24	53	46	7	0
Lewis JRC	48	37	0	37	0
Lincoln	72	130	83	47	0
Logan	82	95	60	35	0
Logan JRC	80	87	0	87	0
Madison	184	416	371	45	0
Marion	217	225	82	138	5
Marion JRC	80	79	1	78	0
Marshall	120	169	101	68	0
Marshall JRC	84	93	0	93	0
Mason	131	179	64	115	0
McCracken	343	530	285	231	14
McCracken RCC	128	93	9	84	0
Meade	93	167	55	112	0
Meade JRC	80	79	0	79	0
Montgomery	134	199	126	73	0
Muhlenberg	201	219	63	156	0
Muhlenberg RCC	80	65	0	65	0
Nelson	102	133	87	46	0
Oldham	330	290	65	138	87
Pike	342	391	140	225	26
Powell	173	207	51	156	0
Powell RCC	40	43	0	43	0
Pulaski	171	374	214	135	25
Pulaski RCC	45	48	2	46	0
Rockcastle	48	101	71	30	0
Rockcastle JRC	25	26	0	26	0

<b>Local Facility</b>	<b>Total Beds</b>	<b>Total Inmates</b>	<b>County Inmates</b>	<b>State Inmates</b>	<b>Federal Inmates</b>
Rowan	274	293	123	170	0
Russell	82	141	73	68	0
Scott	86	122	79	43	0
Shelby	264	262	186	76	0
Shelby JRC	52	41	0	41	0
Simpson	161	220	58	162	0
Simpson JRC	70	91	0	91	0
Taylor	204	275	146	129	0
Todd	137	131	24	107	0
Union	45	62	11	51	0
Warren	410	617	220	249	148
Warren RCC	152	134	36	94	4
Wayne	95	132	81	51	0
Wayne JRC	85	78	0	78	0
Webster	194	177	37	140	0
Webster RCC	72	70	0	70	0
Whitley	134	258	189	69	0
Whitley JRC	50	44	2	42	0
Woodford	63	99	33	13	53
Woodford JRC	32	40	0	40	0
<b>Totals</b>	<b>19,980</b>	<b>23,689</b>	<b>11,327</b>	<b>10,683</b>	<b>1,679</b>

**Source:** APA based on the Department of Corrections Weekly Jail Population Report for May 9, 2019.

**Note:** This information does not include the life safety jails in Caldwell, Clinton, Knox, and Ohio counties. Life safety jails cannot house state inmates so the Department of Corrections does not track the population information for these jails.

Appendix C: Letter from Auditor Harmon to DLG and Reply



**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

December 15, 2017

Sandra Dunahoo, Commissioner  
Department for Local Government  
1024 Capital Center Drive, #340  
Frankfort, KY 40601

Dear Commissioner Dunahoo:

This letter is to communicate concerns regarding the Department for Local Government's (DLG) compliance with the requirements contained in KRS 65A.040 related to Special Purpose Government Entities (SPGEs). This statute requires DLG to notify the Auditor of Public Accounts (APA) and the Finance and Administration Cabinet (FAC) of any SPGE that has failed to comply with reporting requirements of KRS 65A.010 to 65A.090. Although DLG has provided a list of SPGEs that failed to comply with budget and annual reporting requirements, the APA has yet to receive notification of any SPGE that is not compliant with audit or attestation requirements required under KRS 65A.020.

The first round of SPGE annual audits performed under KRS Chapter 65A were due to DLG no later than June 30, 2016 for SPGEs with a June 30, 2015 fiscal year end. Under the timeframes specified in the statute, DLG should have submitted the notification of SPGEs that failed to comply with the audit requirements to the APA and FAC no later than 75 days following the June 30, 2016 deadline. However, the list of noncompliant SPGEs reported by DLG did not include those failing to meet audit requirements. Similarly, the APA has also not received notification of any SPGE that failed to comply with the calendar year 2016, or fiscal year 2017, audit requirements.

DLG staff indicated to APA that DLG does not have the technological capabilities to readily identify SPGEs that failed to have an audit or attestation engagement. DLG staff indicated the problem should be resolved before the FY 2017 non-compliers were reported. However, the problem is still unresolved. This reporting weakness prevents the APA from performing its statutory mandate to notify SPGEs failing to obtain required audits or attestation engagements that they may be subject to audit by the APA. Additionally, it prevents the APA from fully assessing the risks of poor fiscal management by SPGEs that fail to obtain statutorily required audits.

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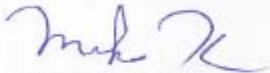


Commissioner Sandra Dunahoo  
December 15, 2017  
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We would like to obtain a written response from you regarding a plan for corrective action. We anticipate this plan would include identifying and notifying each SPGE of the type of audit or attestation engagement each SPGE should have had, as well as whether they complied with those requirements, from the effective date of these statutes. This corrective plan is requested within 10 business days of the date of this letter.

We appreciate your attention to this matter and look forward to working with you on the continued implementation of the SPGE transparency requirements contained in KRS Chapter 65A. If you would like to discuss this matter further, please contact Jim Royse, Deputy Executive Director.

Thanks and God bless,



Mike Harmon  
Auditor of Public Accounts



**OFFICE OF THE GOVERNOR  
DEPARTMENT FOR LOCAL GOVERNMENT**

**Matthew G. Bevin**  
Governor

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**Sandra K. Dunahoo**  
Commissioner

December 27, 2017

Mr. Mike Harmon  
Auditor of Public Accounts  
209 St. Clair Street  
Frankfort, KY 40601

RE: DLG's SPGE Program

Dear Auditor Harmon:

I am writing in response to your letter dated December 15, 2017 relating to the Department for Local Government's ("DLG") role with respect to Special Purpose Governmental Entities ("SPGEs") under KRS Chapter 65A. As you correctly point out in your letter, the statutes direct DLG to perform certain tasks regarding SPGEs and their financial information. As you may know, your predecessor identified approximately 1,200 unique SPGEs. (Edelen, Commonwealth of Kentucky, Office of the Auditor, Ghost Government: A Report on Special Districts in Kentucky (2012). Since then, DLG has increased that identified population to more than 2,000.

The transparency laws related thereto, KRS Chapter 65A, tasks DLG with a number of responsibilities. Most important among these was the creation and maintenance of a publicly accessible database of SPGEs. The legislative intent was to allow taxpayers to learn which SPGEs exist in their counties, how much public money they receive and how those funds are spent. Further, nearly every year since the creation of KRS Chapter 65A, the statutes have been amended to remove—or partially remove—one or more categories of entities from the transparency law that fall under DLG's statutorily required purview. Most recently we saw this with fire districts, wherein fire departments with revenue of less than \$100,000 no longer report to DLG, but now report to the Fire Commission which maintains their records in a non-public format.

Each change in the law, with some entities being categorically exempted and others being exempted at certain times or under specific circumstances, has added additional layers of complexity to an already cumbersome requirement under the law. The system, which functioned quite well initially, has been repeatedly reworked and re-patched to accommodate these changes.



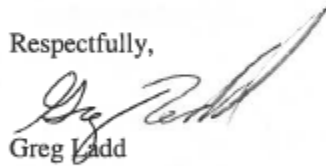
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Due to a lack of resources and funding, DLG initially developed this system in-house using our lone computer programmer. The continuous development and maintenance of this system is an intricate and costly endeavor. So much so that we recently found that even this well-designed system is insufficient to keep pace with the changing demands of chapter 65A.

As your letter points out, KRS 65A calls for DLG to share certain data with a couple of different agencies, and yours is one of them. We have seen in recent months that the current system no longer functions as intended and after reviewing the matter in-house and assessing our capabilities, we have concluded that it is now necessary to hire outside technology experts to assist in developing a new system. It is our expectation that this new system will reflect the full functionality that our current system soundly demonstrated until recently while also being flexible enough to respond to future changes in the law. Just this week we met with Kentucky Interactive, a computer software and programming company, and began the initial phase of having them rewrite the software for the new system. Further, Kentucky Interactive will thereafter maintain the system. We are encouraged and enthusiastic about the functionality that the new system will provide. We expect it to resolve all of the concerns raised in your letter. Unfortunately, Kentucky Interactive tells us that it may take three to four months to have the new system fully operational. Regrettably, no other option is feasible.

We appreciate you reaching out to us with these concerns that we all share. In the future, if there are questions or apprehensions regarding this program, I encourage you to contact me directly or to contact our Staff Attorney, Darren Sammons.

Respectfully,



Greg Ladd  
General Counsel  
Department for Local Government