



## Auditor of Public Accounts Allison Ball

**FOR IMMEDIATE RELEASE**

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### **Auditor's Office Releases Audit of Floyd County Fiscal Court**

**FRANKFORT, Ky.** – The Office of the Auditor of Public Accounts has released the audit of the financial statements of the Floyd County Fiscal Court for the fiscal year ended June 30, 2023. In accordance with Yellow Book standards, when an auditor's independence is impaired, in fact or appearance, the auditor should implement safeguards to eliminate the independence threat. This audit was released under Assistant State Auditor, Shawna Crouse, due to the impairment of Auditor Ball. State law requires annual audits of county fiscal courts.

Auditing standards require the auditor's letter to communicate whether the financial statements present fairly the receipts, disbursements, and changes in fund balances of the Floyd 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 116 of 120 fiscal court audits in Kentucky.

The audit contains the following findings:

**The Floyd County Jailer does not have segregation of duties over receipts, disbursements, and bank reconciliation processes of the jail commissary:** The jail commissary bookkeeper recorded receipts, prepared deposits, prepared the monthly receipt ledger, recorded entries on inmate accounts, prepared checks for disbursements, prepared the monthly disbursement ledger, and performed the monthly bank reconciliations.

We recommend that if these duties cannot be segregated due to limited number of staff or budget restraints, strong oversight should be provided over the employee(s) responsible for these duties. Any compensating controls performed should be documented by the reviewer's initials and date on applicable documentation.

*County Judge/Executive's Response: See Jailer's response.*

*Jailer's Response: We will be proactive in regard to this finding to resolve this issue going forward. Duties have been segregated since my administration has taken office on December 29, 2022.*

**The Floyd County Jailer did not have adequate controls over jail commissary disbursements:** The auditor selected 24 disbursements and noted 11 invoices had sales taxes paid totaling \$1,695 and numerous checks were signed by only one jail employee instead of two.

We recommend the jailer review all purchases and ensure that sales taxes are not being paid prior to disbursement. Also, to reduce the risk of fraud or misappropriation of assets, we recommend that all checks require dual signatures.

*County Judge/Executive's Response: See Jailer's response.*

*Jailer's Response: Since my administration has taken office on December 29, 2022, we have been proactive in resolving this finding and will continue to do so in the future.*

**The Floyd County Jailer failed to properly reconcile and account for the inmate account and inmate balances:** Reconciliations for the inmate account were not prepared. This account is used for funds deposited by or on behalf of inmates. After deposited, inmates' balances within the account are reduced for jail costs and fees as well as inmate purchases from the jail commissary. At the time of an inmate's release, if the inmate owes no additional amounts, the amount remaining in the inmate's account is refunded.

We recommend internal controls over the inmate account reconciliation process be strengthened to ensure that all outstanding checks, deposits-in-transit, receivables, and liabilities are accurately reflected on the monthly bank reconciliations. The jailer or another independent employee should review the monthly bank reconciliations prepared by the bookkeeper to ensure they are accurate. In addition, records showing the amounts that inmates have on hand should be maintained and be available to support the inmate account balance as of June 30.

*County Judge/Executive's Response: See Jailer's response.*

*Jailer's Response: The jail staff will submit an annual report for the commissary account.*

**The Floyd County Fiscal Court failed to properly segregate all accounting duties:** In the absence of a finance officer there is not any documented oversight of all accounting and reporting functions. The treasurer's duties include deposit preparation, posting receipts, preparing and posting disbursements, and completing the bank reconciliation. When one employee is responsible for these processes, the risk of misappropriation increases.

We recommend the fiscal court segregate duties over receipts, disbursements, and bank reconciliation processes. If segregation of duties is not possible, then the fiscal court should implement compensating controls by monitoring the financial activities of the fiscal court and continue to document this review.

*County Judge/Executive's Response: This is a repeat finding. We agree that segregation of duties is paramount for strong internal controls. We have limited resources and limited space to work within and this creates a set of unique challenges for all involved. We are actively trying to fill the position of Finance Officer.*

**The Floyd County Fiscal Court failed to implement proper internal controls over disbursements:** The following deficiencies were noted from a testing sample of 75 disbursements including: one invoice tested that was paid more than 30 days after the invoice date, all disbursements with purchase orders present were missing the authorizing signature, 11 disbursements did not have purchase orders, and debt payments were not properly coded.

We recommend the fiscal court implement policies and procedures to ensure disbursements are in compliance with applicable statutes and regulations. Additionally, we recommend the fiscal court put into place internal controls to monitor that these policies and procedures are operating effectively.

*County Judge/Executive's Response: 1) Community Center - This has been corrected and the account has been closed and monies have been deposited into the General Fund. Previously, the Floyd County Fiscal Court passed a resolution authorizing the Fiscal Court to establish a checking account and to write checks up to \$300 without prior court approval, this was necessary to run the various programs at the Community Center. 2) Clerk Storage Fees - The Clerk Storage Fees is a newly created program established by the State in the last 24 months. The Fiscal Court did not include the Clerk's Storage Fees account on our financial statements because the monies belong to the County Court Clerk and not the Fiscal Court. Going forward we will include the Clerk Storage Fees in the quarterly report. 3) E911/LGEA - The Treasurer used a check from the wrong account, and this was corrected in July 2023. Correction was made.*

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

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