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Auditor Ball Releases Salyersville Water Works Special Examination

FRANKFORT, KY (*January 7, 2025*) – Today, Auditor Ball released a limited-scope examination of the Salyersville Water Works (SWW), reviewing financial and operational processes and procedures from July 1, 2021, to March 31, 2024. SWW was established in 1952 as a water provider for the city of Salyersville (City) and operates as a department of the City.

The special examination of Salyersville Water Works contained ten findings:

- **SWW Lacked Adequate Internal Control Structure-** Lacked internal controls and engaged in poor security practices, leaving them vulnerable to fraud and other unlawful activities.
- **Billing Adjustments Were Not Handled Properly** – SWW did not have a policy outlining when an adjustment to a customer’s bill would be appropriate and allowable, nor sufficient documentation explaining why some adjustments were made. As a result, hundreds of thousands of dollars were adjusted on bills without any supporting documentation over the examination period.
- **Insufficient Controls Led to Questionable Purchases** – Numerous purchases, totaling over \$20,000 by SWW staff were excessive, predominantly personal, or lacking a clear business purpose. When credit card transactions and checks were tested, few were adequately supported by proper documentation. Additionally, SWW employees were not required to log mileage or turn in receipts for gas purchases.
- **Receipts Were Not Accounted for Properly** – Cash, checks, and credit card deposits were not properly accounted for nor supported by proper documentation, resulting in numerous occasions in which auditors were not able to determine if funds were deposited.
- **Public Funds Were Improperly Utilized for Employee Bonuses** – Bonuses were given to employees during the Christmas holiday totaling \$6,750 for FY 2021 and \$7,042 for FY 2022. The use of public funds for bonuses violates Section 3 of the Kentucky Constitution.
- **The SWW Board Does Not Have Statutory Authority to Establish Fees** – SWW started charging \$7 per month to customers with a grinder pump for grinder pump maintenance

fees to offset the rising cost and upkeep of grinder pumps. This fee was passed with one board member's approval; however, the Board does not have the statutory authority to impose these fees.

- **SWW Engaged in Questionable Real Property Transaction** – The City sold property to SWW. SWW was established and currently operates as a department of the City. SWW is not a separate corporate entity entitled to hold real property in its own name. Rather, any real property should be held in the name of the City. SWW mortgaged the property and the City allowed it. This was found to be in direct violation of state law.
- **SWW Has Failed to Maintain a Sufficient Capital Asset Listing** - SWW's capital asset listing did not provide descriptions, historical costs, or year of acquisition for any of the recorded assets, which included vehicles and buildings.
- **SWW Lacks Written Policies and Procedures** – Operated without guidance and uniformity because they did not have any written policies and procedures to create an organizational structure to follow on a day-to-day basis and to ensure financial transactions were properly handled, recorded, and documented.
- **SWW Failed to Implement Segregation of Duties** – Without supervision, the office manager was responsible for preparing bills, adjusting bills, accepting payments, posting payments, making deposits, and reconciling accounts. These duties should be segregated or compensated with controls to mitigate the risk of undetected waste, fraud, and abuse.

To view the full report and complete list of recommendations, [visit our website](#).

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