



Auditor of Public Accounts
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FOR IMMEDIATE RELEASE

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Harmon Releases Audit of Bullitt County Fiscal Court

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statement of the Bullitt 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 Bullitt 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 Bullitt County Emergency Medical Services Department lacks strong controls over receipts. We reviewed receipt documentation available from the Bullitt County Emergency Medical Services (EMS) Department. We noted the following control deficiencies:

- The county treasurer did not receive sufficient documentation from EMS to balance the EMS collection system to the deposit tickets.
- EMS is not making deposits daily.
- EMS did not issue receipt tickets for all receipts collected.

- Twenty instances where EMS did not maintain documentation to support payments on or adjustments to patients' accounts, and the deposit ticket amounts did not agree to daily collection reports and county treasurer's ledger.
- Five instances where EMS did not post automatic payments from insurance companies or regular deposits to patients' accounts timely or accurately.
- Five instances where EMS did not maintain supporting documentation to account for receipts collected per the deposit ticket.
- EMS staff were not sure why there were differences between deposit amounts and collection amounts posted to patients' accounts.
- EMS does not have procedures in place to ensure that accounts are turned over to the collections company timely and followed up.
- EMS has a petty cash envelope containing receipts from prior years for various items. EMS staff indicated these funds are used for making change for patient payments and for collecting money from individuals for their CPR cards after completing training. No documentation is maintained for the money collected for the CPR cards.

The fiscal court does not have a policy in place to require all departments to issue three-part receipts, or a policy to ensure all receipts are accounted for by balancing cash and checks collected to the EMS accounting system, patients' accounts, deposit tickets and county ledgers. Without these policies the risk of misstatements in reporting of EMS receipts significantly increases due to error or fraud. The risk of receipts being collected and not deposited significantly increases. KRS 64.840(2) requires all governmental officials handling public funds to issue a three part pre-numbered receipt: "[o]ne (1) copy of the receipt shall be given to the person paying the fine, forfeiture, tax, or fee and one (1) copy shall be retained by the official for his own records. One (1) copy of the receipt shall be retained by the official to be placed with the daily bank deposit." KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. County officials are provided guidelines for minimum accounting and reporting standards for the county receipts in the Department for Local Government *County Budget Preparation and State Local Finance Officer Policy Manual*. KRS 68.210 requires that all receipts be deposited intact and on a daily basis. Strong internal controls and proper accounting procedures dictate that all receipts collected should be accounted for with a supporting receipt ticket, an entry into the accounting system to the patient's account, and reconciliation to the deposit ticket and receipts ledger. Receipts collected should have adequate support maintained.

We recommend fiscal court and EMS work together to comply with KRS 64.840 and implement the following procedures:

- Pre-numbered receipts should be written and maintained for all monies collected, regardless of whether or not the customer requests a receipt.
- All three copies of voided receipts should be maintained.
- All monies collected should be accounted for with receipt tickets being batched daily and reconciled to the cash and checks collected per the daily collection report and daily deposit ticket. After daily receipts are accounted for by EMS, copies of the receipt tickets, daily collection report, and deposit ticket should be given to the county treasurer.

- EMS staff need to implement procedures to ensure all automatic payments from insurance companies are accounted for accurately and timely on patients' accounts.
- EMS staff need to be trained on the collection system to ensure they understand how to accurately post billings, collections, and adjustments to patients' accounts and that the amounts collected reconcile to the deposit.
- EMS should make deposits intact daily.
- The county treasurer should review all receipt tickets to check for missing receipt numbers and compare the cash and checks to the receipts per the daily collection report and deposit ticket to ensure all monies collected are accounted for properly.
- The petty cash fund at the EMS department should be eliminated.

County Judge/Executive Roberts' response: This issue will be addressed to ensure procedures are developed and implemented.

The Bullitt County Emergency Medical Services Department has a lack of segregation of duties over receipts. The bookkeeper for the Bullitt County Emergency Medical Services (EMS) Department collects receipts, records receipts in collection system for patients' accounts, prepares the deposit ticket and takes the deposit ticket to the bank. There are no compensating controls. Bullitt County EMS has not implemented segregation of duties as part of the internal control system. When accounting functions are not segregated, there is a significant risk to the entity of misappropriation of funds due to errors in financial reporting and theft of funds. Good internal controls dictate that accounting functions are to be segregated to reduce the risk of misappropriation of assets through financial reporting and theft. We recommend Bullitt County EMS segregate the duties over receipts accounting functions or implement appropriate compensating controls. The EMS director, who does not have responsibilities related to receipts, could perform compensating controls in addition to increasing oversight of the receipts process. A potential compensating control is to review the deposit tickets to ensure the cash and checks agree to the daily collections in the accounting system. The reviews should be documented by initials on the deposit tickets and bank statements.

County Judge/Executive Roberts' response: This issue will be addressed to ensure segregation of duties.

The Bullitt County Jail has a lack of segregation of duties over receipts. The jail bookkeeper collects receipts, records receipts in the ledger, batches receipts for deposit, prepares the deposit ticket, and reconciles the bank accounts. There are no compensating controls, and the jailer has not implemented segregation of duties as part of the internal control system. When accounting functions are not segregated there is a significant risk to the entity of misappropriation of funds due to errors in financial reporting and theft of funds. Good internal controls dictate that accounting functions are to be segregated to reduce the risk of misappropriation of assets through financial reporting and theft. We recommend the jailer segregate the duties over receipts accounting functions or implement appropriate compensating controls. The jailer or her designee who does not have responsibilities related to receipts can perform the following compensating controls: review the deposit ticket to ensure the cash and checks agree to the daily collections in the accounting system and review the bank reconciliation for reasonableness and for unusual or

questionable transactions. The reviews should be documented by initials on the deposit tickets and bank statements.

County Jailer Knox's response: Effective immediately, the Jailer or a designated person will randomly review and sign off on daily deposits. The Jailer will review and sign off on all bank statements once they have been balanced.

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

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