



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

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statement of the Ballard County Fiscal Court for the fiscal year ended June 30, 2020. 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 Ballard 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 noncompliance with laws, regulations, contracts, and grants. The auditor must also comment on material weaknesses involving internal control over financial operations and reporting.

The audit contains the following comment:

The Ballard County Fiscal Court failed to approve cash transfers before the transfer took place: According to the Ballard County Treasurer, she makes cash transfers between funds at the end of each month for county funds that are maintained in a shared bank account and before being approved by the fiscal court. Those transfers are then approved at the next fiscal court meeting. Of the 11 interfund transfers totaling \$307,761 that were selected for testing, none were approved prior to the transaction taking place.

Ballard County has internal control deficiencies over cash that resulted in unauthorized cash transfers. Without proper oversight and approval from the fiscal court, undetected misappropriation of cash balances could occur. When cash transfers are made without approval,

funds can be moved between funds to cover expenditures without the knowledge of the fiscal court. Additionally, restricted funds could be misused.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* states "All transfers require a court order." Good internal controls would dictate that this order be given prior to the transaction taking place.

We recommend the fiscal court strengthen internal controls over cash transfers by requiring all transfers to be approved by the fiscal court prior to the transfer being made. We also recommend such approvals be adequately documented in the fiscal court minutes.

County Judge/Executive's Response: On May 4, 2021, we will ask the court to separate the funds out of the general bank account into bank accounts of their own.

The Ballard County Detention Center does not have adequate segregation of duties over jail commissary operations: This is a repeat finding and was included in the prior year audit report as Finding 2019-007. During Fiscal Year 2020, the Ballard County Detention Center did not have adequate segregation of duties. The bookkeeper collected receipts from the kiosks, prepared deposits, daily checkout sheets, prepared checks, and posted to the ledgers. The jailer signed the checks and performed the reconciliation on the bank accounts.

According to jail personnel, the lack of segregation of duties is the result of a limited budget, which restricts the number of qualified employees the commissary can hire for accounting functions. The Ballard County Detention Center had limited options for establishing proper segregation of duties.

The lack of segregation of duties could result in the misappropriation of assets and inaccurate financial reporting to external agencies, such as the Department for Local Government (DLG). Such errors or fraud could occur and go undetected.

Segregation of duties or the implementation of compensating controls, when needed because the number of staff is limited, is essential for providing protection to employees in the normal course of performing their duties and can also help prevent inaccurate financial reporting and misappropriation of assets. We recommend the Ballard County Detention Center segregate duties to the extent possible. If these duties cannot be separated due to limited staff, then strong oversight should be provided to the employee or employees responsible for these duties. If the jailer elects to continue performing these tasks himself, this oversight should be performed by the county finance officer and fiscal court.

County Jailer's Response: We have tried to divide up the duties to our best ability but as we are a small facility and do not have enough personnel to further split up duties.

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

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