Auditor of
Public Accounts
Allison Ball

Bullitt County Fiscal Court

Audit

FRANKFORT, Ky. – State Auditor Allison Ball has released the audit of the financial statements of the Bullitt County Fiscal Court for the fiscal year ended June 30, 2024. 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 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 116 of 120 fiscal court audits in Kentucky.

Finding: The Bullitt County Detention Center Did Not Have Adequate Internal Controls Over Daily Deposits And Kiosk Transactions Resulting In Undeposited Cash Receipts

This is the repeat of a similar finding that was included in the prior year audit report as finding 2023-008. The jailer allowed a former bookkeeper to have complete control over the jail commissary and the jail inmate accounts. This person was employed for part of the fiscal year ending on June 30, 2024, from July 1, 2023 through September 5, 2023. The former employee was allowed to collect funds, issue receipts, post to ledgers, make deposits, prepare bank reconciliations, and maintain complete control over all bank accounts to include transferring monies between the jail commissary account and the inmate account. The following noncompliance and deficiencies were found during the audit:

- Receipts were not batched and deposited daily as required.
- Numerical receipts were not accounted for properly and copies of voided receipts were not kept with the checkout sheets.
- Daily checkout sheets were not prepared as required
- Deposits were incorrectly made to both the inmate and jail commissary bank accounts
- Kiosk machines were reconciled by the former bookkeeper with no documentation by the jailer or other designee to verify the amount of cash was properly accounted for and deposited
- Kiosk machines were not emptied or deposited daily

Recommendations

We recommend the Bullitt County Jailer implement strong oversight, internal controls, supervision, and review to ensure the jail commissary and inmate monies are batched and deposited daily. Daily receipt batches should be compared to the receipts ledger. In addition, strong internal controls need to be implemented for kiosk withdrawals to ensure that cash is properly accounted for and deposited intact daily. This would require that two employees open the kiosk, and the jailer or designee to verify the deposit by initialing the deposit and daily checkout sheet. Surprise cash counts could also be performed on the kiosk receipts and withdrawals. The jailer should comply with the manual by maintaining the required records.

County Officials Response

Jailer's Response: The former Bookkeeper [name redacted], whose employment was terminated on September 5, 2023, did not adhere to established internal controls nor maintain adequate segregation of duties, thereby hindering smooth financial operations. Funds were concealed and mismanaged. Due to inadequate internal controls, fraudulent activity was not identified until September 2023.

After September 5th, 2023 all incoming Jail Checks, Money Orders, and HIP payments will be provided with a numbered receipt for tracking purposes. A second employee will verify the Monies, Receipt No. against the printed report and sign the deposit ticket. These transactions will be documented on the daily cash out sheet and included in the daily deposits if applicable.

Kiosk deposits are jointly handled by two employees, including. the Bookkeeper and another designated staff member. They verify the deposit against both the cash deposit ticket and the printed report for accuracy. Both employees are signing/initialing the Deposit ticket for verification.

As of March 15th, 2024, the Kiosk Machines are emptied daily by a team of two employees. Daily bank deposits are prepared by another team of two employees, and the deposit tickets are meticulously verified and signed by both employees.

The deposit will be transported to the bank by either the Jailer or another designated employee in a locked bag. The employee transporting the deposit will not have access to its contents during transit.

The deposit ticket, stamped by the bank, along with the daily check-out sheets, daily deposit sheet, and corresponding reports with receipts, will be organized together and filed in a monthly archive.

Either the Jailer or their assigned representative will conduct a daily reconciliation of the cash out sheet, ensuring accuracy by cross-referencing it with attached receipts. Upon verification, they will initial the document.

The Jailer or their designated representative will be responsible for opening the bank statements received in the mail. They will meticulously review the statements for inaccuracies or suspicious transactions and initial/ date the Statement before handing it to the Bookkeeper. Following the monthly reconciliation performed by the Bookkeeper, they will cross-check the bank statement with the monthly reconciliation report and initial /date it for verification.

Finding: The Bullitt County Detention Center Did Not Have Adequate Internal Controls And Segregation Of Duties Over Jail Commissary And Inmate Fund Receipts And Disbursements

This is a similar finding to prior year audit report findings 2023-006, 2023-009, and 2023-010. The Bullitt County Detention Center lacked internal controls and adequate segregation of duties over all accounting functions related to the jail commissary and inmate funds. In addition to internal control deficiencies outlined in finding 2024-001, the former bookkeeper prepared all checks and posted to the disbursements ledger. The invoices were not stamped with received date or cancelled when paid. Additionally, there was no documentation that invoices, or other supporting documents, were reviewed and approved prior to the disbursement of funds; however, two signatures were required on checks.

Recommendations

We recommend the Bullitt County Jailer implement strong oversight, internal controls, supervision, and review to ensure that the commissary and inmate accounts are properly accounted for. We recommend the detention center segregate duties where possible. If segregation of duties is not possible, the jailer should offset the lack of adequate segregation of duties by implementing compensating controls such as:

- Requiring invoices to be stamped received and cancelled with the date paid and check number.
- Reviewing and comparing invoices to checks and documenting that review.
- Requiring a comparison of the monthly reports to the receipts and disbursements ledgers for accuracy by someone other than the preparer.
- Documenting the performance of review of bank reconciliations by someone other than the preparer.

County Officials Response

Jailer's Response: The former Bookkeeper, [name redacted], and former Jailer, [name redacted], failed to implement adequate internal controls and did not properly segregate duties. The former Bookkeeper had sole access to all financial functions and used this access to conceal and mismanage funds. He failed to empty the kiosk on a daily basis, did not account for all funds received, and did not submit the required

Annual Jail Commissary Report to the County Treasurer. Due to the lack of effective internal controls, fraudulent activity was not detected until September 5, 2023. The former Bookkeeper, [name redacted], did not follow any controls over disbursements and forged signatures and documents. Due to the lack of established controls, he was able to carry out the fraudulent activity without detection.

Going forward, Kiosk Machines are emptied daily by a team of two employees. Daily bank deposits are prepared by another team of two employees, and the deposit tickets are meticulously verified and signed by both employees.

The deposit will be transported to the bank by either the Jailer or another designated employee in a locked bag. The employee transporting the deposit will not have access to its contents during transit.

Moving forward, all checks will require the signatures of two individuals. The preparer will issue the check, and a second authorized signer will be responsible for comparing the check with the corresponding invoice before signing.

The second check signer will also verify that the check numbers are sequential and that no checks are missing or unaccounted for in the checkbook/register before signing.

Orders will be authorized by the Jailer or their designated employee, and either of them will initial the invoice as authorization for payment.
The check issuing employee (Bookkeeper) is not responsible for opening the mail. Instead, all invoices will be directed to the Jailer or their designated employee for approval before payment is issued.

All invoices will undergo scrutiny for sales tax charges, and any discrepancies found will be corrected accordingly.

After verification of monthly activities by the Jailer or designated employee, invoices are organized in order of the issued check number. They are then filed together with the account statement and reconciliation sheet in a monthly archive.

Monthly, either the Jailer or a designated employee will reconcile the bank statement against the monthly reconciliation report to ensure a balanced account, with no discrepancies.

Since the appointment of the Bookkeeper in November 2023, the accounts have been reconciled monthly.

Finding: The Bullitt County Fiscal Court Did Not Properly Utilize The Purchase Order System As Required

This is a repeat finding and was included in the prior year audit report as finding 2023-004. During testing, auditors noted that purchase orders were not issued for all disbursements. Purchase orders should be issued prior to expenditures to ensure encumbrances are reported properly at year end. The purchase order system utilized by the county tracks all invoices to be paid. Invoices tested had an appropriation account code indicated and were stamped with the date received. A claims list was prepared and approved by the fiscal court, and the appropriation ledger was updated on a regular basis. However, a purchase order listing was not prepared and the fiscal court therefore neglected to check if expenditures would cause the fiscal court to exceed the available line-item balance.

Recommendations

We recommend the fiscal court establish a well planned and executed purchase order system and monitor its budget to ensure the expenditure does not exceed budgeted appropriations. Claim checks should not

be signed unless the following conditions exist:
• Claim reviewed by the fiscal court;
• Sufficient fund balance and adequate cash in the bank to cover the expense; and
• Adequate unencumbered balance in the proper budgeted appropriation account to cover the expense.

County Officials Response

County Judge/Executive's Response:
• ***System Implementation and Modernization:*** *In 2022, the Bullitt County Fiscal Court migrated to [software name redacted], a Kentucky-based financial management software specifically tailored to state Local government compliance. This system was explicitly chosen to streamline procurement workflows, enforce internal controls, and automate the tracking and authorization of purchase orders.*

• ***Personnel Training and Process Reinforcement:*** *Following the system's deployment, management initiated comprehensive training protocols for all relevant personnel. Training focused heavily on the mandatory procedures for requesting, approving, and obtaining authorized purchase orders prior to initiating county expenditures.*

• ***Current Status and Compliance:*** *With the full integration of [software name redacted] and ongoing staff training, the internal procurement process has been successfully reinforced. The Fiscal Court is committed to maintaining full compliance with established purchase order policies moving forward.*

Finding: The Bullitt County Fiscal Court Did Not Reconcile The Payroll Revolving Account Properly

The fiscal court failed to implement adequate internal controls over reconciliation of the payroll account. The treasurer's reconciled payroll revolving fund balance on June 30, 2024, was $170,957. However, the bank reconciliation did not include an outstanding liability for a transfer to the General Fund totaling $133,763. The transfer was made on July 3, 2024. The June 30, 2024 payroll revolving account reconciled ending balance after accounting for this outstanding liability was $37,194.

Recommendations

We recommend the Bullitt County Fiscal Court reconcile the payroll revolving account to zero, or other set amount, each month. If the payroll revolving account has excess funds, the excess amount should be transferred to the respective funds from which the funds were originally transferred. In addition, all matching and other payroll withholdings should be paid directly from the payroll revolving account. Payments to the payroll revolving account for the county's matching amount for withholdings should be paid from the appropriate budgeted fund to the payroll revolving account.

County Officials Response

County Judge/Executive's Response: Proper balancing has been implemented. As there are times that the Payroll Account will have a balance due to a city tax that's reported quarterly or even state taxes that are reported semi-monthly. However, will document balance in the account at the end of the month going forward.

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

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