Auditor of
Public Accounts
Allison Ball

Logan County Fiscal Court

Audit

FRANKFORT, Ky. – State Auditor Allison Ball has released the audit of the financial statements of the Logan County Fiscal Court for the fiscal year ended June 30, 2025. 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 Logan 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 Logan County Fiscal Court Failed To Properly Record An Inter-Account Transfer

The Logan County Fiscal Court improperly recorded an inter-account transfer for $1,611,294 within the Special Reserve Fund as an interfund transfer, causing interfund transfers to be overstated on the fiscal court's fourth quarter financial statement.

Recommendations

The fiscal court should implement controls to ensure that they properly record all inter-account and interfund transfers.

County Officials Response

County Judge/Executive's Response: This transaction was a transfer between 2 bank accounts in the same fund. Typically, all of our cash transfers are to bank accounts in different funds. This cash transfer was processed in the accounting software as an Inter-Fund Cash Transfer but should have been processed as a Cash Transfer only. This transaction is the first and only transaction of this type we have ever had to do. We are now aware of the proper way of processing these types of transactions and will be sure it is done correctly in the future.

Finding: The Logan County Fiscal Court Failed To Implement Adequate Internal Controls Over Procurement And Disbursements

This is a repeat finding and was included in the prior year audit report as finding 2024-001. The Logan County Fiscal Court did not implement adequate internal controls over procurement and purchasing to ensure that statutory requirements were met, which allowed the following noncompliance and issues to occur:

- Two of 71 transactions tested totaling $295,535 were not paid within 30 working days.
- A contract for maintenance and monitoring of the emergency communication system was not properly advertised for bids. The bid solicitation failed to seek bids containing the renewal terms that were added to the approved bid contract. The amount paid for this contract in the current year was $72,996.
- The contract for maintenance and monitoring of the emergency communication system included terms obligating the county to pay 18% over the costs for parts and shipping, but documentation of the actual costs for parts and shipping was not obtained before the county made payments for these items.
- One invoice containing three charges totaling $160 on a credit card was dated before a purchase order was issued.
- One monthly credit card statement included interest for two months and a late fee for one month totaling

$438, which was not paid until after the remaining of the statement charges were paid.

• The Logan County Detention Center's purchase of two vehicles was not handled properly. One vehicle in the amount of $42,308 was purchased by the jail telephone vendor using technology grant funds this vendor provides to the county. This transaction was not recorded on Logan County Fiscal Court's ledgers. Because this transaction was handled outside of the Logan County Fiscal Court's procedures, no purchase order was issued, fiscal court approval was not obtained, and bids were not solicited. The detention center purchased the other vehicle for $42,308 using jail commissary funds. The jailer stated these vehicles were purchased using a state agency price contract; however, the jailed failed to maintain documentation of the state price contract master agreement.

Recommendations

We recommend the fiscal court strengthen internal controls over procurement and disbursements to ensure all purchases are properly approved, supported with adequate documentation, competitively procured when required, and paid in a timely manner. The fiscal court should implement internal controls to ensure all invoices are paid within 30 days to comply with KRS 65.140. The fiscal court should also implement proper procurement procedures to be certain that bid advertisements include all pertinent information in order for the fiscal court to receive the best bids. Additionally, the fiscal court should require supporting documentation when contracts specify percentage amounts over cost to verify the county is not overpaying for such items. Finally, all purchases should be properly recorded in the county's financial records and documentation supporting pricing obtained through state contracts should be maintained.

County Officials Response

County Judge/Executive's Response:

• Logan County Fiscal Court's accounts payable makes every effort to ensure all invoices are paid within 30 days to comply with KRS 65.140. As outlined in Logan County's Administrative Code, Page 15, Claims Against Logan County, C. Each claim shall be recorded by date, receipt and purchases order number and presented to the Fiscal Court at its next meeting. Page 23, Small Purchase Procedures, Item C. The deadline for purchase orders to be turned in for payment is the Wednesday preceding the following Tuesday's Fiscal Court meeting. All departments have been provided a copy of the Administrative Code. Only bills received by accounts payable can be processed timely.

• Logan County Fiscal Court makes every effort to ensure all bid requests include all pertinent information in order for the fiscal court to receive the best bid. The bid solicitation referenced in this exit comment was published in the newspaper prior to Logan County Fiscal Court's FY 23/24 exit conference and could not be corrected before the FY 24/25 audit.

• Notification has been sent to all contracted vendors that supporting documentation is required when a contract specifically states a percentage amount over cost for parts and shipping in order for the county to verify that we are not overpaying for these items. Notice that the Logan County Fiscal Court needs to obtain documentation for the actual cost of parts and shipping referenced in this exit comment was received subsequent to the processing of these claims and could not be corrected before the FY 24/25 audit.

• A typographical error was the cause of one invoice containing 3 charges totaling $160 on a credit card to be dated before the purchase order was completed.

• Credit cards transactions are being closely monitored by accounts payable.

• Logan County Fiscal Court was completely unaware of the one-time purchase initiated by the Logan County Detention Center for two vehicles until after the transactions were complete and the Jailer was requesting the vehicles be insured. Therefore, we were unable properly follow the procurement policy.

Jailer's Response: Since learning about the proper way to make purchases, we have started to get bids and approvals for purchases for Fiscal Court. We have also started getting bids for the Commissary Account.

Finding: The Logan County Jail Does Not Have Adequate Controls Over The Commissary And Inmate Accounts

This is a repeat finding and was included in the prior year audit report as finding 2024-002. The Logan County Jail failed to establish and implement adequate controls over the commissary and inmate accounts. The following findings were noted during the audit as a result of the inadequate internal controls:

- The inmate bank account is not being properly reconciled to the total of individual inmate balances. As of June 30, 2025, the account had a balance of $264,367. After accounting for $4,330 belonging to inmates, there is an unexplained balance of $260,037.
- Receipts are not being issued for funds received by the commissary account nor are daily checkout sheets being prepared for the deposits.
- Copies of receipts are not being included with the daily checkout sheet for the inmate accounts, and the sequential order of receipts are not being accounted for daily.
- Credit card receipts are not being accounted for on a daily basis. Also, credit card transactions are not being reconciled to the credit card deposits.
- One of the daily checkout sheets tested was not being batched properly and included five days of inmate receipts.
- State inmate pay is not included on a daily checkout sheet.
- The jail received a $260 donation for inmate meals and deposited it to the commissary account instead of having it deposited into the jail fund which pays for inmate meals.
- The jail was not paying collected sales tax to the Kentucky Department of Revenue timely. Eleven of the 12 months were paid late, resulting in late fees and penalties in the amount of $2,559.
- Six invoices totaling $47,237 were for items that are not acceptable disbursements per KRS 441.135. Two of these invoices did not have adequate documentation to support the purchase. These purchases include $42,308 for a vehicle purchased not being used for commissary services or to enhance the well-being of the inmates or the safety or security within the jail, $2,400 for software maintenance on the jail's computer systems, $279 to replace an inmate's lost property, $1,950 for the installation of radios in two new vehicles not being used for commissary services or to enhance the well-being of the inmates or safety or security within the jail, and $300 for two wheelchairs.
- Two invoices totaling $2,400 were not paid within 30 business days.
- One invoice totaling $196 was not itemized.
- The jail was not receiving its commissions on gift baskets from the vendor. The vendor owed the jail commissary $26,833 for the period of January 2022 through September 2025.
- The jail does not have adequate segregation of duties over jail commissary or inmate account processes. The bookkeeper processes transactions, prepares deposits, prepares checks, prepares financial statements, and reconciles the bank accounts. While some compensating controls were noted over these processes, they were not sufficient to prevent the other issues noted above.

Recommendations

We recommend the Logan County Jail implement sufficient internal controls over the jail commissary account and financial statements. The jail must also comply with applicable statutes and maintain complete and accurate records for the inmate account.

County Officials Response

County Judge/Executive's Response:

• Reconciliation of the inmate bank account is the responsibility of the Jailer and his staff. Logan County Fiscal Court has no oversight of this account.

• A copy of the Department of Local Government's County Budget Preparation and State Local Finance Officer Policy Manual which contains all requirements regarding receipts for the commissary account was provided to the Jailer when he was elected to office by the County Judge's office. Logan County Fiscal Court has no oversight of the receipts of the commissary account.

• Logan County Fiscal Court has no oversight of the inmate account deposits.

• Logan County Fiscal Court has no oversight on jail commissary disbursements.

County Jailer's Response:
-The inmate bank account not being properly reconciled... Before last year's audit, we have been going through accounts as far back as 2022 trying to figure out and place all the monies into the correct accounts and figure out where all the extra came from. March of 2026, we got a new software company which we hope to correct all the issues with.
-Receipts are not being issued for funds received...
-Copies of receipts are not being included...
-Credit card receipts are not being accounted for...These issues are because the program that we used did not have a way for us to consolidate the credit card receipts daily. Therefore, it could not be consolidated daily. They were done weekly and not added on the daily checkout sheets. March of 2026, we started using a new program and we are currently working with them on how to include all of these daily to checkout sheets. Also, working on each transaction having a receipt number that can be tracked.
-One of the daily checkout sheets...
We are trying to correct this issue by having more people available to help count deposits when someone is out.
-State inmates pay ...
We somewhat disagree with this statement. State inmate pay is included on the daily checkout sheet. We think the issue is that when the funds were deposited to the account it was not added to the actual deposit until the next day. We will try to wait for that check on the day the funds are put on the accounts to be placed in the deposit also.
-The jail received a $260.00 donation...
At this moment in time the jail was paying for a portion of the food weekly that the fiscal would not pay for. A donation was given to the jail to cover some of that balance. The Jailer spoke to the fiscal court and was under the understanding that we needed to deposit that into the commissary account to cover the part we were paying out of that account. We have not placed any more donations in the commissary account and now know that it cannot be handled that way.
-The jail was not paying sales tax ...
The jail was locked out of the account to log into to pay the taxes. The last Administrative Assistant had used her email and log in that was not accessible anymore. It took months to get in touch with the IRS to get it switched. The taxes are now paid quarterly with no late fees.
-Six invoices totaling $47,237...
We disagree with some of these statements. The vehicle bought by commissary is used to transport inmates to and from different appointments. We did not get the correct bids before purchase, but the Jailer went through the same company that the Sheriffs Department used to buy their vehicles, so he thought it was a state approved company. The monies used for the software maintenance were for our camera system in the jail to watch the inmates. The installation of radios in the vehicle was for the transportation of inmates. We are trying to get a line issued in the budget to cover inmates lost, stolen or destroyed property. Any medical supplies bought we will send the bill up for fiscal court to pay.
-Two invoices...
Two invoices were not paid within thirty business days. Bills are now being paid out of the commissary account twice per month, so this does not happen.
-One invoice...
One invoice was not itemized. All invoices not itemized are not paid without it being fixed.
-The jail was not receiving their commissions...

When [vendor name redacted] took over in 2022 they had never paid commissions on gift baskets. This was caught by the auditors. I spoke with a [vendor name redacted] employee, and this was corrected. They paid the whole amount owed on gift baskets and the following months until we replaced their services.
-The jail does not have...
The jail has found a new software program to use for both accounts. This software has people you can call when there is a problem. We have also talked with the auditors about what and how things should be done in the new system so we can start it off correctly.

Auditor's Reply: The vehicles and radios were purchased using commissary funds. Vehicles purchased with commissary funds are to be used for commissary purposes only, which does not include transporting inmates for various appointments. The jail fund is to be used for the transportation of prisoners for non-commissary related purposes. The monies used for the software maintenance per the invoice were for antivirus software, offsite backups, and remote monitoring software for jail computers which are jail operating expenses.

The audit report can be found on the auditor's website.

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