

**REPORT OF THE AUDIT OF THE
BOURBON COUNTY - NICHOLAS COUNTY REGIONAL JAIL
AUTHORITY**

**For The Year Ended
June 30, 2018**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Sheila Gant, Bourbon County - Nicholas County Regional Jail Authority Administrator
Members of the Bourbon County - Nicholas County Regional Jail Authority Board

Independent Auditor's Report

Report on the Financial Statement

We were engaged to audit the accompanying cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bourbon County - Nicholas County Regional Jail Authority, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Bourbon County - Nicholas County Regional Jail Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the inmate fund and the commissary fund.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



To the People of Kentucky

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Holly M. Johnson, Secretary

Finance and Administration Cabinet

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Opinions

Basis for Disclaimer of Opinion - Inmate Fund

The Bourbon County - Nicholas County Regional Jail Authority did not prepare a financial statement for the inmate fund or maintain adequate accounting records of the inmate account receipts and disbursements to allow us to apply other auditing procedures to satisfy ourselves as to the validity of inmate fund receipts and disbursements. Based on available accounting records, we identified other significant deficiencies in the jail's records and a lack of internal controls. The combination of these items resulted in a high level of audit risk. Due to the apparent lack of internal controls and the above noted issues, we were unable to reduce the audit risk to an acceptable level.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion - Inmate Fund paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the inmate fund or the aggregate remaining fund information. Accordingly, we do not express an opinion on the inmate fund or the aggregate remaining fund information.

Basis for Disclaimer of Opinion - Jail Canteen Fund

The Bourbon County - Nicholas County Regional Jail Authority did not maintain adequate accounting records of the jail canteen fund receipts and disbursements to allow us to apply other auditing procedures to satisfy ourselves as to the validity of jail canteen fund receipts and disbursements. There was an undeterminable amount of commissary activities in the inmate fund which could result in a material misstatement. Based on available accounting records, we identified other significant deficiencies in the jail's records and a lack of internal controls. The combination of these items resulted in a high level of audit risk. Due to the apparent lack of internal controls and the above noted issues, we were unable to reduce the audit risk to an acceptable level.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion - Jail Canteen Fund paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion for the jail canteen fund or the business type activities. Accordingly, we do not express an opinion on the jail canteen fund or the business type activities.

Unmodified Opinion

In our opinion, the cash basis financial statements referred to above present fairly in all material respects, the respective cash basis financial position of the governmental activities and the general fund of the Bourbon County - Nicholas County Regional Jail Authority as of June 30, 2018, and the respective changes in cash basis financial position thereof for the year then ended, in accordance with the cash basis of accounting described in Note 1.

To the People of Kentucky

The Honorable Andy Beshear, Governor

Holly M. Johnson, Secretary

Finance and Administration Cabinet

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Members of the Bourbon County - Nicholas County Regional Jail Authority Board

Emphasis of Matter - Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Bourbon County - Nicholas County Regional Jail Authority's basic financial statements. The budgetary comparison information is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2020, on our consideration of the Bourbon County - Nicholas County Regional Jail Authority's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Bourbon County - Nicholas County Regional Jail Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bourbon County - Nicholas County Regional Jail Authority's internal control over financial reporting and compliance.

Based on the results of our audit, we present the accompanying Schedule of Findings and Responses included herein, which discusses the following report comments:

- 2018-001 The Bourbon County - Nicholas County Regional Jail Authority Did Not Develop And Update An Adequate Policy And Procedure Manual As Required By 501 KAR 3:020
- 2018-002 The Bourbon County - Nicholas County Regional Jail Authority Did Not Maintain A Capital Asset Schedule Or Inventory Listing Of Equipment Nor Did They Adopt A Capital Asset Policy
- 2018-003 The Bourbon County - Nicholas County Regional Jail Authority Did Not Adequately Segregate Duties Over The Commissary And Inmate Accounts
- 2018-004 The Bourbon County - Nicholas County Regional Jail Authority Did Not Maintain Proper Accounting Records Or Prepare Financial Statements For The Jail Commissary And Inmate Accounts
- 2018-005 The Regional Jail Administrator Did Not Prepare Or Submit An Annual Commissary Report As Required Per KRS 441.135(2) Or Present Accurate Monthly Reports To The Board
- 2018-006 The Bourbon County - Nicholas County Regional Jail Authority Did Not Reconcile The Payroll Revolving Account

To the People of Kentucky

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Other Reporting Required by *Government Auditing Standards* (Continued)

- 2018-007 The Bourbon County - Nicholas County Regional Jail Authority Did Not Properly Handle Disbursements
- 2018-008 The Bourbon County - Nicholas County Regional Jail Authority Did Not Have The Proper Policies And Procedures In Place Or Maintain Documentation For Bids
- 2018-009 The Bourbon County - Nicholas County Regional Jail Authority Did Not Have Proper Controls Over Payroll Resulting In Noncompliance
- 2018-010 The Bourbon County - Nicholas County Regional Jail Authority Did Not Have Adequate Controls Over Commissary Disbursements
- 2018-011 The Bourbon County - Nicholas County Regional Jail Authority Did Not Have Adequate Controls Over Inmate Account Disbursements
- 2018-012 The Bourbon County - Nicholas County Regional Jail Authority Did Not Properly Handle Daily Receipts
- 2018-013 The Bourbon County - Nicholas County Regional Jail Authority Did Not Collect Sales Tax On Commissary Sales

Respectfully submitted,



Mike Harmon

Auditor of Public Accounts

July 30, 2020

BOURBON COUNTY - NICHOLAS COUNTY REGIONAL JAIL AUTHORITY MEMBERS

For The Year Ended June 30, 2018

Jail Authority Board Members:

John Ransdell	Bourbon County Jailer
Darren Robinson	Nicholas County Jailer
Cecil Foley	Chairman, Bourbon County
Jim Mason	Member, Bourbon County
John Smoot	Member, Bourbon County
Mike Pryor	Member, Nicholas County

Appointed Personnel:

Dennis Mabry	Jail Administrator
Mary Allen Hedges (Thru 12/31/17)	Treasurer
Dana Boone (January 2018)	Treasurer

**BOURBON COUNTY - NICHOLAS COUNTY REGIONAL JAIL AUTHORITY
BASIC FINANCIAL STATEMENTS**

**BOURBON COUNTY - NICHOLAS COUNTY REGIONAL JAIL AUTHORITY
STATEMENT OF NET POSITION – CASH BASIS**

June 30, 2018

	<u>Primary Government</u>	
	<u>Governmental</u>	
	<u>Activities</u>	<u>Totals</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 175,198	\$ 175,198
Total Current Assets	<u>175,198</u>	<u>175,198</u>
NET POSITION		
Unrestricted	175,198	175,198
Total Net Position	<u>\$ 175,198</u>	<u>\$ 175,198</u>

The accompanying notes are an integral part of the financial statement.

**BOURBON COUNTY - NICHOLAS COUNTY REGIONAL JAIL AUTHORITY
STATEMENT OF ACTIVITIES – CASH BASIS**

For The Year Ended June 30, 2018

<u>Functions/Programs Reporting Entity</u>	<u>Expenses</u>	<u>Program Revenues Received</u>			<u>Net (Expenses) Revenues and Changes in Net Position Primary Government</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Totals</u>
Primary Government:						
Governmental Activities:						
Protection to Persons and Property	\$ 2,298,954	\$ 43,092	\$ 2,232,774	\$	\$ (23,088)	\$ (23,088)
Total Governmental Activities	<u>2,298,954</u>	<u>43,092</u>	<u>2,232,774</u>		<u>(23,088)</u>	<u>(23,088)</u>
Total Primary Government	<u>\$ 2,298,954</u>	<u>\$ 43,092</u>	<u>\$ 2,232,774</u>	<u>\$</u>	<u>(23,088)</u>	<u>(23,088)</u>
General Revenues:						
					148,436	148,436
					399	399
					<u>148,835</u>	<u>148,835</u>
					125,747	125,747
					<u>49,451</u>	<u>49,451</u>
					<u>\$ 175,198</u>	<u>\$ 175,198</u>

The accompanying notes are an integral part of the financial statement.

BOURBON COUNTY - NICHOLAS COUNTY REGIONAL JAIL AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS – CASH BASIS
June 30, 2018

	General Fund	Total Governmental Funds
ASSETS		
Cash and Cash Equivalents	\$ 175,198	\$ 175,198
Total Assets	175,198	175,198
 FUND BALANCES		
Unassigned	175,198	175,198
Total Fund Balances	175,198	175,198
Total Liabilities and Fund Balances	\$ 175,198	\$ 175,198

The accompanying notes are an integral part of the financial statement.

BOURBON COUNTY - NICHOLAS COUNTY REGIONAL JAIL AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS – CASH BASIS
For The Year Ended June 30, 2018

	General Fund	Total Governmental Funds
REVENUES		
Intergovernmental	\$ 2,232,774	\$ 2,232,774
Charges for Services	43,092	43,092
Miscellaneous	148,436	148,436
Interest	399	399
Total Revenues	2,424,701	2,424,701
EXPENDITURES		
Protection to Persons and Property	1,826,447	1,826,447
Administration	472,507	472,507
Total Expenditures	2,298,954	2,298,954
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	125,747	125,747
Net Change in Fund Balances	125,747	125,747
Fund Balances - Beginning	49,451	49,451
Fund Balances - Ending	\$ 175,198	\$ 175,198

The accompanying notes are an integral part of the financial statement.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

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BOURBON COUNTY - NICHOLAS COUNTY REGIONAL JAIL AUTHORITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements of the Bourbon County - Nicholas County Regional Jail Authority have been prepared in accordance with the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred. These cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the cash basis of accounting.

The cash basis of accounting differs from GAAP primarily because revenues (cash receipts) are recognized when received in cash rather than when earned and susceptible to accrual, and expenditures or expenses (cash disbursements) are recognized when paid rather than when incurred or subject to accrual. As a result, only cash and cash equivalents and related net position or fund balances arising from cash transactions are reported in the Statement of Net Position - Cash Basis and Balance Sheet - Cash Basis. All other economic assets, deferred outflows of resources, liabilities, and deferred inflows of resources that would be reported in GAAP basis financial statements are not reported in this cash basis presentation.

B. Reporting Entity

The Bourbon County - Nicholas County Regional Jail Authority (Authority) was created under Kentucky Revised Statute 441.800.

On July 10, 2010, as a result of a joint venture of the Bourbon County Fiscal Court and the Nicholas County Fiscal Court, the participating counties entered into a Management and Use Agreement in order to provide for joint and cooperative action in the maintenance and financing of the Authority. Pursuant to this agreement, Bourbon County shall provide all funding for the Authority. Nicholas County shall provide funding to the Authority pursuant to a per diem/ (per prisoner) basis.

Board members of the Authority are composed of members appointed by the county judges/executive of the respective counties within the authority and the jailer of the county where the regional jail is located. The county judge/executive of the most populous county shall appoint three members to the authority, and the other shall appoint two members. Board members shall serve four year terms without compensation for their service but may be reimbursed for expenses actually incurred.

The Authority's financial statements include the general operations of the Bourbon County - Nicholas County Regional Jail Authority and transactions in the inmate and canteen funds.

BOURBON COUNTY - NICHOLAS COUNTY REGIONAL JAIL AUTHORITY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position - Cash Basis and the Statement of Activities - Cash Basis) report information on the government as a whole within the limitations of the cash basis of accounting. Governmental activities, which normally are supported by intergovernmental receipts, are reported separately from business-type activities, which primarily rely on sales, fees, and charges for support. Fiduciary funds are also excluded from the government-wide financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The Statement of Net Position – Cash basis - The cash basis of accounting presents the reporting entity’s non-fiduciary assets and net position.

The Statement of Activities - Cash basis demonstrates the degree to which the disbursements of a given function are offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function. Program receipts include: 1) charges to customers or applicants for services; and 2) and intergovernmental contributions. Internally dedicated resources such as reimbursements and miscellaneous receipts are reported as general receipts.

Fund Financial Statements

Funds are characterized as either major or non-major. Major funds are those whose assets, receipts, or disbursements are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, receipts, or disbursements are at least five percent of the corresponding total for all governmental and enterprise funds combined. The Authority may also designate any fund as major.

Governmental Fund

All governmental funds are accounted for using the cash basis of accounting and the current financial resources measurement focus. The cash basis of accounting recognizes receipts when received and disbursements when paid. Receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The primary government reports the following major governmental fund:

General Fund - This is the primary operating fund of the Authority. It accounts for all financial resources of the Authority. The primary sources of receipts for this fund are reimbursements from the state and local government, and payments from counties for housing prisoners.

Fiduciary Fund

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county’s agency fund is used to account for monies held by the county in the jail inmate fund for custodial purposes. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

BOURBON COUNTY - NICHOLAS COUNTY REGIONAL JAIL AUTHORITY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Fund Financial Statements (Continued)

Fiduciary Fund (Continued)

The primary government reports the following fiduciary fund:

Inmate Fund - The fund accounts for fund received from and held for the inmates.

Proprietary Fund

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating receipts of the Authority's enterprise funds are charges to customers for sales in the jail canteen fund. Operating disbursements for enterprise funds include the cost of sales and services and administrative expenses. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements on Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1). The profits generated from the sale of items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail canteen fund.

D. Budgetary Information

Annual budgets are adopted on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board, and according to the laws of Kentucky as required by the state local finance officer. Budgeted amounts in the financial statements are as amended and approved by the Authority's Board.

E. Deposits

The Authority's fund balance is considered to be cash on hand, demand deposits, and certificates of deposit, with original maturities of three months or less from the date of acquisition. The Authority's fund balance includes cash and cash equivalents.

KRS 66.480 authorizes the Authority to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

BOURBON COUNTY - NICHOLAS COUNTY REGIONAL JAIL AUTHORITY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Revenue Recognition

Operating revenues (receipts) are recognized as revenue (receipts) when received. Per diem charges and reimbursements from the State of Kentucky and other counties are billed monthly.

G. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into non-spendable and spendable components, if applicable.

Non-spendable fund balances are those that cannot be spent on future obligations and must be maintained intact legally or contractually.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Spendable include the following:

- Restricted - amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.
- Committed - amounts constrained for a specific purpose by the county using its highest level of decision making authority.
- Assigned - for all governmental funds, other than general fund, any remaining positive amounts not classified as non-spendable, restricted, or committed. For the general fund, amounts constrained by intent to be used for a specified purpose by the County or the delegated county committee or official given authority to assign amounts.
- Unassigned - for the general fund, amounts not classified as non-spendable, restricted, committed, or assigned. For all other governmental funds, amount expended in excess of resources that are non-spendable, restricted, committed or assigned.

Note 2. Deposits

The Authority maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Authority and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Authority's deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2018, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

BOURBON COUNTY - NICHOLAS COUNTY REGIONAL JAIL AUTHORITY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 3. Deferred Compensation

The Bourbon County - Nicholas County Regional Jail Authority voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees, and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 501 High St, 2nd floor, Frankfort, KY 40601, or by telephone at (502) 573-7925.

Note 4. Nationwide Retirement Account

The Bourbon County - Nicholas County Regional Jail Authority provides a defined contribution employee benefit plan covering all full time employees after a period of time (90 days). The Authority provides a percentage of the employees' wages to their account administered by Nationwide. The Authority has elected to pay 19.18% of each employee's wages to their deferred compensation account. The Authority's contribution to employee deferred compensation accounts for the fiscal year ended June 30, 2018, was \$121,209.

Note 5. Insurance

For the fiscal year ended June 30, 2018, the Bourbon County - Nicholas County Regional Jail Authority was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 6. Health Reimbursement Account

The Bourbon County - Nicholas County Regional Jail Authority, established a health reimbursement account in 2010 to provide employees an additional health benefit. The regional jail has contracted with a third-party administrator to administer the plan. The plan provides \$2,000 each year to go toward the employee's deductible.

Note 7. Contingencies

The county is involved in multiple lawsuits that arose in the course of doing business. While individually they may not be significant, in the aggregate they could negatively impact the county's financial position. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

**BOURBON COUNTY - NICHOLAS COUNTY REGIONAL JAIL AUTHORITY
BUDGETARY COMPARISON SCHEDULE
Other Information - Budgetary Basis**

For The Year Ended June 30, 2018

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**BOURBON COUNTY - NICHOLAS COUNTY REGIONAL JAIL AUTHORITY
BUDGETARY COMPARISON SCHEDULE
Other Information - Budgetary Basis**

For The Year Ended June 30, 2018

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Intergovernmental Revenue	\$ 2,522,776	\$ 2,522,776	\$ 2,232,774	\$ (290,002)
Charges for Services	59,700	59,700	43,092	(16,608)
Miscellaneous	137,740	137,740	148,436	10,696
Interest	500	500	399	(101)
Total Revenues	<u>2,720,716</u>	<u>2,720,716</u>	<u>2,424,701</u>	<u>(296,015)</u>
EXPENDITURES				
Protection to Persons and Property	2,049,183	2,049,183	1,826,447	222,736
Administration	696,533	696,533	472,507	224,026
Total Expenditures	<u>2,745,716</u>	<u>2,745,716</u>	<u>2,298,954</u>	<u>446,762</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(25,000)</u>	<u>(25,000)</u>	<u>125,747</u>	<u>150,747</u>
Net Changes in Fund Balance	(25,000)	(25,000)	125,747	150,747
Fund Balance - Beginning	<u>25,000</u>	<u>25,000</u>	<u>49,451</u>	<u>24,451</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 175,198</u>	<u>\$ 175,198</u>

**BOURBON COUNTY - NICHOLAS COUNTY REGIONAL JAIL AUTHORITY
NOTES TO OTHER INFORMATION**

June 30, 2018

Note 1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the state local finance officer.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

The Honorable Sheila Gant, Bourbon County - Nicholas County Regional Jail Authority Administrator
Members of the Bourbon County - Nicholas County Regional Jail Authority Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bourbon County - Nicholas County Regional Jail Authority (Authority) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Bourbon County - Nicholas County Regional Jail Authority's financial statements, and have issued our report thereon dated July 30, 2020. Our report disclaims an opinion on the inmate fund because the jail authority did not prepare a financial statement or maintain adequate accounting records and the jail canteen fund because the jail authority did not maintain adequate accounting records of the jail canteen receipts and disbursements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Bourbon County - Nicholas County Regional Jail Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bourbon County - Nicholas County Regional Jail Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bourbon County - Nicholas County Regional Jail Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2018-001, 2018-002, 2018-003, 2018-004, 2018-005, 2018-007, 2018-008, 2018-009, 2018-010, and 2018-012 to be material weaknesses.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*
(Continued)

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2018-006 and 2018-011 to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Bourbon County - Nicholas County Regional Jail Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2018-001, 2018-002, 2018-004, 2018-005, 2018-007, 2018-008, 2018-009, 2018-010, 2018-012, and 2018-013.

Views of Responsible Official and Planned Corrective Action

Bourbon County - Nicholas County Regional Jail Authority's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Responses. The responses were not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

July 30, 2020

**BOURBON COUNTY - NICHOLAS COUNTY REGIONAL JAIL AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2018

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**BOURBON COUNTY - NICHOLAS COUNTY REGIONAL JAIL AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2018

FINANCIAL STATEMENT FINDINGS:

2018-001 The Bourbon County - Nicholas County Regional Jail Authority Did Not Develop And Update An Adequate Policy And Procedure Manual As Required By 501 KAR 3:020

This is a repeat finding and was included in the prior year audit report as finding 2017-001. The policy and procedure manual utilized by the Bourbon County - Nicholas County Regional Jail Authority (regional jail) for the fiscal year under audit was last updated in fiscal year 2013. Various policies within the manual were changed throughout the year, however, the entire manual was not reviewed and adopted annually by the board. In addition, while the policy and procedure manual did address fiscal management, it was not adequate to address significant areas of the jail, such as payroll and human resources, inventory and capital assets, or discussion of the minimum requirements for the handling of public funds as discussed in the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*.

Per the jail administrator, the regional jail adopted the county's policies and procedures. However, no formal adoption was documented. Furthermore, inconsistencies were noted between the county's policies and the regional jail's operations.

The lack of an adequate policy and procedure manual that is updated regularly results in noncompliance with state laws and regulations. Failure to have some form of internal guidance may result in undefined procedures that can lead to inconsistency in the operations of the regional jail, as well as actions that are inconsistent with the intentions of management and state law. A policy and procedure manual that is not updated on a regular basis could also result in policies and procedures that are not in line with any changes in statutes or jail operations.

An effective policy and procedure manual is an essential management tool. Written policies and procedures ensure consistency in the operations of the regional jail and communicates appropriate standards of action and behavior for all employees. Clearly defined policies and procedures that are reviewed regularly and updated as needed, express the jail's desire to make consistent and impartial decisions.

501 KAR 3:020(1)(4) states, "The policy and procedures manual shall be reviewed, updated, and any changes approved by the governing authority at least annually. All revisions shall be marked with the effective date and filed with the department." This regulation applies to any jail that houses state prisoners.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts, which is contained in DLG's *County Budget Preparation and State Local Finance Officer Policy Manual*. This manual also requires various policies and procedures related to the handling of public funds.

We recommend that the regional jail develop a policy and procedure manual that adequately addresses the various areas of the jail including but not limited to:

- Bonding requirements for officials/employees who handle public funds.
- Policies regarding deposits of funds collected, including the requirement to make daily deposits intact.
- Documentation of all accounting policies, including reconciliations and review procedures;
- Disbursement process and required bid procedures;
- Record retention;
- A list of references to applicable local, state, and federal regulations;
- Capital asset/inventory listing, along with procedures for maintaining an up-to-date inventory and safeguarding assets;
- A list of standardized forms utilized including a description of their purpose; and
- Jail commissary procedures, including procedures for the daily check-out sheets.

BOURBON COUNTY - NICHOLAS COUNTY REGIONAL JAIL AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2018
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-001 The Bourbon County - Nicholas County Regional Jail Authority Did Not Develop And Update An Adequate Policy And Procedure Manual As Required By 501 KAR 3:020 (Continued)

The regional jail should ensure that the manual is reviewed at least annually and adopted by the board, as required.

Views of Responsible Official and Planned Corrective Action:

Bourbon County - Nicholas County Regional Jail Authority Administrator's Response: A new policy and procedure manual was approved by the Regional Jail Authority in July 2019. We are currently working on updating the policy and procedure manual, to include vacation sick time holiday pay, retirement and benefits.

2018-002 The Bourbon County - Nicholas County Regional Jail Authority Did Not Maintain A Capital Asset Schedule Or Inventory Listing Of Equipment Nor Did They Adopt A Capital Asset Policy

This is a repeat finding and was included in the prior year audit report as finding 2017-002. The Bourbon County - Nicholas County Regional Jail Authority (regional jail) never formally adopted a capital asset policy in the jail board minutes. The jail administrator informed the auditors that the regional jail adheres to the Bourbon County Fiscal Court capital asset policy, however, this was not documented in the jail board minutes. Also, they lacked internal controls over capital assets because they did not maintain a capital asset schedule or inventory listing of equipment purchased by the jail.

The regional jail was unaware that a formal capital asset policy needed to be adopted and implemented and a capital asset listing needed to be maintained. Without adequate controls the risk of asset misappropriation increases or result in assets not being covered by insurance in the event of an accident or loss. Good internal controls dictate that assets be properly tracked and maintained to prevent theft or loss. These controls should also ensure compliance with applicable laws and regulations related to capital assets.

Under the authority of KRS 68.210, the Department of Local Government (DLG) issued the *County Budget Preparation and State Local Finance Officer Policy Manual* which states that “[f]or purposes of internal control, an asset inventory listing must be maintained for all asset purchases/donations above a reasonable dollar amount, and have a useful life of greater than one year.”

We recommend the regional jail prepare and maintain a capital asset schedule and inventory list of equipment purchased. This listing should be updated regularly to account for purchases and disposals of capital assets.

Views of Responsible Official and Planned Corrective Action:

Bourbon County - Nicholas County Regional Jail Authority Administrator's Response: We will take an inventory of all jail equipment and a log will be kept. This will be maintained by the Major and a copy will be given to the treasurer's office.

BOURBON COUNTY - NICHOLAS COUNTY REGIONAL JAIL AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2018
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-003 The Bourbon County - Nicholas County Regional Jail Authority Did Not Adequately Segregate Duties Over The Commissary And Inmate Accounts

This is a repeat finding and was included in the prior year audit report as finding 2017-003. The regional jail did not have adequate segregation of duties over the accounting functions related to the jail commissary and inmate accounts. For the commissary account, the chief deputy was responsible for depositing the funds and for recording the receipt. For the inmate account, the chief deputy was responsible for recounting the funds deposited into the jail kiosk, preparing and depositing the funds into the inmate bank account and also for recording those receipts to the inmate account (primarily for amounts inmates had on them at the time of booking). For disbursements, the chief deputy was responsible for reviewing the invoice and preparing the check. Dual signatures were required, however, no documented review of the invoice was noted. No true reconciliations were performed on the commissary and inmate accounts, however, the chief deputy also prepared monthly spreadsheets that provided a listing of checks and debit card transactions, deposits and a running balance of the funds in the bank account. The commissary recap was presented monthly to jail board. The board review occurred subsequent to the transactions occurring.

The regional jail lacked adequate policies and procedures to ensure effective internal controls, such as segregation of duties, were implemented. A lack of segregation of duties increases the risk of misappropriation of assets, errors, and inaccurate financial reporting. Good internal controls dictate that the collection of receipts, recording of transactions, and financial reporting functions be segregated in order to reduce the opportunity for the misappropriation of assets and inaccurate financial reporting. Adequate segregation of duties would prevent the same person from having a significant role in incompatible functions.

We recommend that the regional jail segregate duties where possible. If segregation of duties is not possible, the regional jail should offset the lack of adequate segregation of duties by implementing compensating controls, such as periodically performing surprise cash counts, reviewing the bank reconciliations, and comparing the daily deposits to the daily checkouts and the receipts ledger, reconciling any differences. In addition, there should be a comparison of the monthly reports to the receipts and disbursements ledgers for accuracy by someone other than the preparer. Initialing and dating the bank reconciliations, bank deposits, daily checkout sheets, receipts and disbursements ledgers, and reports can document this review.

Views of Responsible Official and Planned Corrective Action:

Bourbon County - Nicholas County Regional Jail Authority Administrator's Response: The Class D Coordinator, Major or Jail Administrator will prepare the daily deposit. It will be verified by two deputies and initialed on the deposit slip and log in a daily receipt log.

2018-004 The Bourbon County - Nicholas County Regional Jail Authority Did Not Maintain Proper Accounting Records Or Prepare Financial Statements For The Jail Commissary And Inmate Accounts

This is a repeat finding and was included in the prior year audit report as finding 2017-004. The regional jail failed to maintain the minimum accounting records prescribed by the state local finance officer pursuant to KRS 68.210 and the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* for jail commissary funds, including detailed receipts and disbursements ledgers. The information maintain on the commissary account did not accurately reflect the monthly activity of the commissary, but reported the transactions that cleared the bank each month. For example, if a check was written in July and cleared in September, the check would not be recorded until September.

BOURBON COUNTY - NICHOLAS COUNTY REGIONAL JAIL AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2018
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-004 The Bourbon County - Nicholas County Regional Jail Authority Did Not Maintain Proper Accounting Records Or Prepare Financial Statements For The Jail Commissary And Inmate Accounts (Continued)

In addition, the ledgers did not report receipts or disbursements in sufficient detail. Receipts were noted as deposits with no classification and disbursements were not classified. Furthermore, descriptions for disbursements were not always provided for each transaction to identify the purpose of the transaction.

No receipt or disbursement information was provided for the month of September and had to be obtained from the bank statement. Because accounting records were not maintained, the regional jail also failed to prepare financial statements for the jail commissary and inmate accounts.

Inmate account financial information was maintained in the accounting software of the commissary service provider. There were no receipts or disbursements ledgers for the inmate account.

Accurate bank reconciliations were not prepared and agreed to book balances for either account. For the commissary account, as noted above, a report of receipts and disbursements that cleared the bank account was maintained. As part of this report, a running balance was included to reflect the amount in the bank account. This would not constitute a true bank to book reconciliation. Furthermore, the balance amount was not accurate as it did not account for outstanding deposits, receivables, or outstanding checks. For the inmate account, the outstanding items, such as outstanding checks and outstanding deposits were not properly included as part of the reconciliation process due to difficulty noted in reconciling credit card transactions. Furthermore, one outstanding check in the amount of \$122 cleared the bank twice and was never refunded. The account had instances where the daily balance was negative and the account was charged overdraft and service fees totaling \$343. The inmate bank account had an unreconciled balance of \$15,657 as June 30, 2018. Finally, the regional jail did not maintain agreements with other counties for housing prisoners.

The regional jail failed to implement effective controls over the accounting of the jail commissary and inmate accounts to ensure proper fiscal management over the account. The regional jail had not implemented effective policies and procedures (see finding 2018-001) to properly outline requirements for various accounting functions.

The failure to maintain accurate and detailed accounting information does not provide a true picture of the activities within the commissary and inmate accounts and increased the risk that undetected misstatements due to error or fraud would occur. The lack of financial information prevented the performance of audit procedures necessary to ensure the accuracy of amounts for the accounts, and auditors could not determine if the inmate account balance was sufficient to cover the jail's fiduciary responsibility to the inmates. The failure to maintain housing contracts could lead to the regional jail receiving rates not in accordance with the established contract. Furthermore, due to the lack of accurate accounting information and financial statements, we were unable to express an opinion on the jail commissary and inmate funds.

Good internal controls dictate that proper controls be put in place to ensure proper management over regional jail accounts and to ensure adherence to applicable laws and regulations.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts for all counties and county officials. The *County Budget Preparation and State Local Finance Officer Policy Manual* outlines minimum requirements for the handling of public funds, including books of original entry for receipts and disbursements, monthly bank reconciliations, and daily deposits to a federally insured banking institution.

BOURBON COUNTY - NICHOLAS COUNTY REGIONAL JAIL AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2018
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-004 The Bourbon County - Nicholas County Regional Jail Authority Did Not Maintain Proper Accounting Records Or Prepare Financial Statements For The Jail Commissary And Inmate Accounts (Continued)

According to the County Budget Preparation and State Local Finance Officer Policy Manual, “**JAIL COMMISSARY RECEIPTS JOURNAL** - Receipts should be posted to this journal on a daily basis. The total amount category should agree with the amount deposited line on the Daily Check-Out Sheet.

JAIL COMMISSARY DISBURSEMENTS JOURNAL - Each check written must be posted to the proper category listed on the form. Checks should be issued for all expenditures made.

JAIL COMMISSARY SUMMARY AND RECONCILIATION - The year to date summary section of this report will provide a cash balance at any time during the fiscal year. Information for this section is obtained from totaled categories from the receipt and disbursement journals. A monthly cash balance shall be maintained. The Reconciliation section of this report reconciles the bank balance to the cash balance. Line E of the report should agree with Line J. A monthly cash reconciliation shall be maintained. This report may be used for the year-end report submitted to county treasurer pursuant to KRS 441.135 (2).”

Per 501 KAR 3:020(5), “Jail information and prisoner records shall be retained in written form or within computer records. Jail information and prisoner records shall be stored in a secure manner so that they are protected from theft, loss, tampering, and destruction. Prisoner records shall be maintained as required by the Department of Libraries and Archives pursuant to 725 KAR Chapter 1.”

We recommend the regional jail comply with the minimum accounting and reporting standards of as stated in *County Budget Preparation and State Local Finance Officer Policy Manual*. Accurate and detailed ledgers should be maintained to report the activities of the jail commissary and inmate accounts. These records should include information regarding inmate activity to identify and track transactions to ensure amounts owed to inmates or to the jail are properly handled. Monthly bank reconciliations should be performed to reconcile the cash balance per the books to the bank accounts. All relevant contracts should be maintained outlining requirements of all parties.

Views of Responsible Official and Planned Corrective Action:

Bourbon County - Nicholas County Regional Jail Authority Administrator’s Response: The jail is working with the jail software company about all the proper financial records the need to be obtain. Bank Reconciliation, Inmate Account Balances. Bank Reconciliations will be done monthly.

2018-005 The Regional Jail Administrator Did Not Prepare Or Submit An Annual Commissary Report As Required Per KRS 441.135(2) Or Present Accurate Monthly Reports To The Board

This is a repeat finding and was included in the prior year audit report as finding 2017-005. The regional jail administrator reported to the Bourbon County-Nicholas County Regional Jail Authority (regional jail) Board, on a monthly basis, the receipts and disbursements of the commissary account that cleared the bank, instead of reporting all the activity of the commissary. In addition, no annual commissary report was prepared or submitted to the regional jail board. The regional jail administrator was not aware of the requirement for a year-end report. The monthly reports were inaccurate because true receipts and disbursements ledgers were not maintained (see finding 2018-004).

BOURBON COUNTY - NICHOLAS COUNTY REGIONAL JAIL AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2018
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-005 The Regional Jail Administrator Did Not Prepare Or Submit An Annual Commissary Report As Required Per KRS 441.135(2) Or Present Accurate Monthly Reports To The Board (Continued)

The monthly reports provided did not accurately portray the activity in the commissary fund; it only shows the activity that cleared the bank. By not submitting the annual commissary report, the board does not have a clear picture of the activities of the commissary, the jail is in noncompliance with KRS 441.135(2), and the regional jail does not have a financial statement for the jail commissary operation.

Good internal controls dictate that procedures be in place to ensure accurate records are maintained and controls be in place to promote compliance with applicable laws and regulations.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* requires various policies and procedures related to the handling of public funds. This manual requires a jail commissary year-to-date summary, compiled with information obtained from receipts and disbursements journals. The ending balance reported on the summary should be reconciled to the bank balance.

Furthermore, KRS 441.135(2) states in part, "[t]he jailer shall keep books of accounts of all receipts and disbursements from the canteen and shall annually report to the county treasurer[.]

We recommend the regional jail ensure the jail is in compliance with KRS 441.135(2) by ensuring all receipts and disbursement from the canteen are accounted for properly and reported on the annual report.

Views of Responsible Official and Planned Corrective Action:

Bourbon County - Nicholas County Regional Jail Authority Administrator's Response: Reports will be prepared and submitted with the bank reconciliation to the Regional Jail Authority. Bills will be prepared and submitted for the Jail Board Approval monthly. Money that is written for bonds will be presented monthly to the regional jail board for their acknowledgement.

2018-006 The Bourbon County - Nicholas County Regional Jail Authority Did Not Properly Reconcile The Payroll Revolving Account

This is a repeat finding and was included in the prior year audit report as finding 2017-006. The regional jail uses a clearing bank account for payroll processing. Payroll revolving accounts are established in order to process individual payroll transactions and should zero out or reconcile to a minimal carrying balance. Deposits are made into the bank account from the jail's operating account to pay for salaries, taxes, matching portion of taxes, retirement, health insurance, and other payments to benefit vendors. Monthly reconciliations were not prepared and the payroll account was not properly reconciled to zero. As of June 30, 2018, a balance of \$10,927 existed in the account.

There were no internal controls in place to ensure the payroll account was properly reconciled each month. According to the county treasurer, the account had not been properly reconciled for years. A lack of payroll reconciliation to the general ledger on a regular basis increases risk of misstatement in the financial statements, and can result in undetected errors or fraud occurring. Additionally, funds held in a clearing account when they are not needed to pay liabilities removes those funds from accounts where they could be used in the regular operations of the jail.

BOURBON COUNTY - NICHOLAS COUNTY REGIONAL JAIL AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2018
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-006 The Bourbon County - Nicholas County Regional Jail Authority Did Not Properly Reconcile The Payroll Revolving Account (Continued)

Good internal controls require timely, accurate reconciliations for bank accounts and all other reports concerning payroll, to ensure all funds are properly accounted for and to prevent misappropriation of funds and inaccurate financial reporting. Due to the nature of revolving accounts, only the funds necessary to pay employees and government agencies are transferred from other funds. Therefore, the reconciled balance each month of the payroll revolving account should be zero.

We recommend reconciliations for the payroll revolving account be performed monthly. Because the payroll revolving account is a clearing account, this account should reconcile to a zero ending cash balance at the end of each month. We further recommend the treasurer perform procedures to determine if any other outstanding items exist to account for the \$10,927 remaining in the payroll account. Any excess funds included in the account should be moved to the jail's general fund.

Views of Responsible Official and Planned Corrective Action:

Bourbon County - Nicholas County Regional Jail Authority Administrator's Response: The payroll account had not been reconciled for quite sometime and when a BCNCRJA Treasurer was hired in July of 2019 she worked with the Assistant Treasurer from the Fiscal Court to bring the Payroll into compliance. BCNCRJA Treasurer is ensuring that reconciliations of the Payroll Account are not completed on a monthly basis.

2018-007 The Bourbon County - Nicholas County Regional Jail Authority Did Not Properly Handle Disbursements

This is a repeat finding and was included in the prior year audit report as finding 2017-007. The following issues were noted when testing disbursements:

- Seven instances where a purchase order was not issued for an expenditure.
- 35 instances where a purchase order was not issued due to recurring, pre-approved payments that the jail board did not realize that a purchase order needed to be issued for.
- 16 instances invoices were not paid timely.
- One instance where late charges in the amount of \$38 were paid.
- Encumbrances were not identified for fiscal year 2018.

The regional jail board did not issue purchase orders for all reoccurring, and/or reimbursement expenditures. The regional jail board was unaware that purchase orders needed to be issued for all expenditures. The board was also unaware that encumbrances needed to be identified at year end. Incurring expenses prior to regional jail board approval and without ensuring adequate funding is available could lead to financial strains on the regional jail due to overspending. Without this information, management is unable to determine potential issues with spending before the expense is already incurred, creating the opportunity for waste, fraud, or abuse.

Good internal controls for purchase requests exceeding budget appropriations would lead to discussion with both the jail treasurer and the jail administrator as to whether the purchase order will be issued, the necessity and appropriateness of a budget transfer to cover the expense, and if other issues need to be address related to spending. Purchase orders should be issued for all goods and services utilized by the fiscal court. The Department for Local Government (DLG) issued a memorandum on August 4, 2016, in which it "highly recommends" implementation of issuing purchase orders for payroll and utilities. This control allows for regional jail board to ensure that sufficient budget allocation is available for all expenses.

**BOURBON COUNTY - NICHOLAS COUNTY REGIONAL JAIL AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2018
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-007 The Bourbon County - Nicholas County Regional Jail Did Not Properly Handle Disbursements
(Continued)

KRS 65.140 states, “[u]nless the purchaser and vendor otherwise contract, all bills for goods or services shall be paid within thirty (30) working days of receipt of a vendor's invoice except when payment is delayed because the purchaser has made a written disapproval of improper performances or improper invoicing by the vendor or by the vendor's subcontractor.”

We recommend the regional jail board strengthen controls over the disbursement process to ensure compliance with applicable statutes and to provide better oversight to ensure funds are available prior to issuing purchase orders.

Views of Responsible Official and Planned Corrective Action:

Bourbon County - Nicholas County Regional Jail Authority Administrator's Response: Purchase Orders are required for every invoice. The Jail Administrator, or the Major contacts the jail treasurer. We let her know which account the money is to come out of and the treasurer issue the purchase order. The Jail Administrator keeps a log at the detention center of each of the purchase order.

We now use a different method of purchasing gas. Each vehicle has its own fleet card. Every employee has their own pin number they use when purchasing gas. At the time of purchase the odometer reading is entered. When the bill comes, we can tell which employee purchased gas and the vehicle they put gas in.

2018-008 The Bourbon County - Nicholas County Regional Jail Did Not Have The Proper Policies And Procedures In Place Or Maintain Documentation For Bids

This is a repeat finding and was included in the prior year audit report as finding 2017-008. While testing disbursements it was noted that the Bourbon County - Nicholas County Regional Jail Authority (regional jail) did not have the proper policies and procedures or documentation for bids. Upon review of the regional jail's policy and procedure manual there was no written guidance on how to properly handle disbursements and bids. The auditor inquired about bid procedures and was informed that bids were obtained, however, no documentation was maintained and bids were not mentioned in the regional jail board minutes. During testing it was found one contract with a vendor needed to be bid with disbursements totaling \$318,227.

During fiscal year 2018 the regional jail entered into contract with a vendor for food and commissary services for 36 months. No documentation of a bid was maintained for this contract. The regional jail lacked adequate controls over the policy and procedures regarding bids. Since bidding procedures were not followed, it is possible that the county did not get the lowest rate for a jail food service provider.

Strong internal controls require management to monitor disbursements and purchase orders to ensure compliance with bid laws. KRS 424.260(1) states, “[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract...for services other than professional, involving an expenditure of more than twenty thousand dollars (\$20,000) without first making newspaper advertisement for bids.”

**BOURBON COUNTY - NICHOLAS COUNTY REGIONAL JAIL AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2018
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-008 The Bourbon County - Nicholas County Regional Jail Did Not Have The Proper Policy And Procedures In Place Or Maintain Documentation For Bids (Continued)

We recommend the regional jail board approve and implement a bid policy, as well as monitor all disbursements to ensure that bidding procedures are followed for all qualifying disbursements. The regional jail should also document these procedures in the fiscal court minutes and any bids received and approved.

Views of Responsible Official and Planned Corrective Action:

Bourbon County - Nicholas County Regional Jail Authority Administrator's Response: A new policy is in the process of being developed to properly accept bids. The policy shall include, that any expenditure of \$20,000 or more shall be subjected to complete bidding. This will include the advertising and the process of accepting bids.

2018-009 The Bourbon County - Nicholas County Regional Jail Authority Did Not Have Proper Controls Over Payroll Resulting In Noncompliance

This is a repeat finding and was included in the prior year audit report as finding 2017-009. When testing payroll two payroll periods, December 14, 2017 and April 5, 2018, were selected. The auditor was given a box of timecards from multiple years that included the information of month, day, and time, but no year. The time cards were not sorted by year and the auditor could not determine which timecards were for fiscal year 2018 other than a few that had hand written dates. The auditor was able to go thru the box and group together like dates from the timecards that did have hand written dates. The jail administrator provided summary sheets that had been manually entered into excel to the auditor. These summary sheets are what the jail treasurer used to process payroll.

The following issues were noted when testing payroll:

- 16 instances where timecards were not properly maintained. The auditor was given a box of timecards that included fiscal year 2015, fiscal year 2016, fiscal year 2017, and fiscal year 2018 however most did not include dates and the auditor could not decipher which timecard went to each fiscal year.
- Two instances where a time card and timesheet summary that the jail treasurer prepared were present however did not match payroll summary, leading to wages being calculated incorrectly.
- Six instances where the timesheet summary did not match the payroll summary leading to wages being calculated incorrectly.
- Two instances where employees were considered salary and did not track daily hours worked.
- Eight instances where holiday pay was paid, however, there is no policy in the Administrative code on how holiday hours should be paid. These eight employees were paid two times their hourly rate.
- Three instances during the test of retirement where retirement was not paid timely to the deferred comp plans.
- The regional jail does not have an adequate policy and procedure manual documenting how overtime, holiday pay, lunch breaks, and leave time should be handled.

The regional jail administrator at the time did not properly maintain all payroll records and the regional jail authority lacked adequate policy and procedures regarding payroll.

BOURBON COUNTY - NICHOLAS COUNTY REGIONAL JAIL AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2018
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-009 The Bourbon County - Nicholas County Regional Jail Authority Did Not Have Proper Controls Over Payroll Resulting In Noncompliance (Continued)

When timesheets and salaries are not properly approved, this could result in employees not being paid accurately. Not computing overtime hours based upon a 40 hour work week accurately or not documenting leave time can also result in employees getting over or under paid. Not maintaining authorized withholding forms in employee files could lead to deductions in pay that employees are unaware of. Not agreeing the timesheets prepared by employees and the timesheet summary prepared by the jail administrator could potentially lead to an employee not being paid correctly. In addition, when retirement is not paid timely the regional jail is not in compliance with KRS 65.140.

KRS 337.320(1) states, “[e]very employer shall keep a record of: (a) The amount paid each pay period of each employee; (b) the hours worked each day and each week by each employer; (c) and such other information as the executive director requires.” Timesheets should be kept for payroll verification and as a record of leave time used and to document employees are working at least the minimum number of hours to be eligible for full-time benefits such as retirement and health insurance. The employee and the appropriate supervisor should sign all timesheets. Without maintaining all timesheets with the signatures of both employee and supervisor, documentation of actual hours worked is not verified by employee and approved by supervisor.”

In addition, KRS 337.285 states, “[n]o employer shall employ any of his employees for a work week longer than forty (40) hours, unless such employee receives compensation for his employment in excess of forty (40) hours in a work week at a rate of not less than one and one-half (1 - 1/2) times the hourly wage rate at which he is employed.”

KRS 65.140(2) states, “[u]nless the purchaser and vendor otherwise contract, all bills for goods and services shall be paid within thirty (30) working days of receipt of a vendor’s invoice except when payment is delayed because the purchaser has made a written disapproval of improper performances or improper invoicing by the vendor or by the vendor’s subcontractor.”

We recommend the Bourbon County - Nicholas County Regional Jail Authority strengthen controls over the payroll process by ensuring all employees use time clocks, maintain leave balance, accurately compute overtime hours, supervisors authorize all timecards, timecards be maintained properly, insure all retirement payments are made timely, and create and implement an adequate policy and procedure manual for payroll related issues.

Views of Responsible Official and Planned Corrective Action:

Bourbon County - Nicholas County Regional Jail Authority Administrator’s Response: Timecards will be kept properly at the detention center. They will be dated and kept with the signed time sheets. Once the times cards are processed, they will be reviewed by either the Class D Coordinator, Major or Captain. They will be signed off by two officer once verified. Before being submitted to the county treasures office. All employee will be mandated to clock in on the time clock. We are also looking into getting a new time care machine that you use your fingerprints.

BOURBON COUNTY - NICHOLAS COUNTY REGIONAL JAIL AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2018
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-010 The Bourbon County - Nicholas County Regional Jail Authority Did Not Have Adequate Controls Over Commissary Disbursements

This is a repeat finding and was included in the prior year audit report as finding 2017-010. During review and testing of 301 jail commissary fund disbursements, the following exceptions were noted:

- 261 transactions were made by debit card which totaled \$30,615.
- 212 transactions that were not in compliance with KRS 441.135; of these 212 transactions:
 - 103 transactions, totaling \$32,056, were made from the commissary fund that do not meet the criteria for a commissary purchase and should have been paid by the jail's operating account; these purchases included items, such as, inmate supplies (toiletries, bunks, mattresses, clothing), cleaning supplies, office supplies, hotels for conferences, and tools.
 - 78 transactions totaling \$9,148 that are questioned due to the lack of adequate documentation or no clear indication of how the transaction was for the direct benefit of the inmates; of these 78 transactions, 16 transactions, totaling \$1,238, were noted as work meetings, lunch for deputies or food for drug busts on jail records.
 - 31 transactions, totaling \$4,466, for the purchase of stamps provided to all inmates at no charge.
- 123 transactions where sales tax was paid.
- Nine transactions, totaling \$82, were for fraudulent charges that were never refunded.
- No documented review or approval process was present for debit card transactions prior to the purchase being made. Checks were to contain dual signatures, however, five tested checks did not contain dual signatures and no documented review of invoices was noted.

The regional jail board failed to implement controls over commissary disbursements to ensure proper handling and compliance with applicable laws and regulations. While the board does review and approve a monthly commissary report provided by the jail administrator, the transactions have already occurred, no invoices/receipts are provided for review and the report provided does not provide sufficient detail to explain the transaction. Furthermore, the regional jail was not aware that debit card use is prohibited.

The lack of controls increases the risk of undetected errors and fraud occurring. The lack of adequate controls over commissary disbursements resulted in commissary profit being used for other than its intended purpose which is to benefit and enhance the well-being of prisoners. Furthermore, operating disbursements were not properly reviewed and approved by the regional jail board prior to payment as required. The use of debit card allowed the regional jail to circumvent board required review and approval procedures for operating type disbursements. Proper internal controls over commissary disbursements are important to ensure disbursements are properly handled and are in compliance with applicable laws and regulations.

The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* outlines minimum accounting and reporting requirements pursuant to the authority to prescribe a system of uniform accounts for all counties and county officials given to the State Local Finance Officer by KRS 68.210. As outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual - Jail Commissary Fund Instructions for Disbursements Journal*, each check written must be posted to the proper category listed on the form. All expenditures made must be paid by check.

Furthermore, according to KRS 441.135(2), "[a]ll profits from the canteen shall be used for the benefit and to enhance the well-being of the prisoners." KRS 441.135(3) states, "[a]ll allowable expenditures from a canteen account shall include but not be limited to recreational, vocational, and medical purposes."

BOURBON COUNTY - NICHOLAS COUNTY REGIONAL JAIL AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2018
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-010 The Bourbon County - Nicholas County Regional Jail Authority Did Not Have Adequate Controls Over Commissary Disbursements (Continued)

The jail commissary should be exempt from paying sales tax because the jail commissary is a governmental entity. KRS 139.470(7) exempts local governments from paying state sales tax on goods and services.

Finally, the regional jail's policy allows the purchase of stamps, however, for indigent inmates only. Per Chapter 8, Section IV.A.5 of the jail's policy and procedure manual, when an inmate is determined to be indigent, one of the items provided the inmate is two stamped envelopes.

We recommend the regional jail should implement controls to ensure that commissary disbursements are made in accordance with applicable laws and regulations. The regional jail should ensure all disbursements from jail commissary profits are for the benefit of the prisoners and are in compliance with KRS 441.135(2), in accordance with the jail policies, and do not include sales tax per KRS 139.470(7). Furthermore, we recommend the commissary fund be reimbursed by the jail's operating account for the purchases that were operating in nature totaling \$32,056.

Views of Responsible Official and Planned Corrective Action:

Bourbon County - Nicholas County Regional Jail Authority Administrator's Response: All inmate sales, phone cards, and E-cigs money will be transferred to the commissary account. Since 2019 we no longer purchase lunches for meeting all meeting are done inside the detention center. We will obtain the paperwork to become tax exempt.

2018-011 The Bourbon County - Nicholas County Regional Jail Authority Did Not Have Adequate Controls Over Inmate Account Disbursements

This is a repeat finding and was included in the prior year audit report as finding 2017-011. The Bourbon County-Nicholas County Regional Jail Authority (regional jail) maintained an inmate account, which is used to account for inmates' monies, as well as, commissary sales, purchase of commissary inventory, and payment of sales tax. During review and testing of 40 inmate account disbursements, the following exceptions were noted:

- 27 transactions, totaling \$41,953, that were not properly supported due to the lack of an invoice.
- Nine exceptions, totaling \$2,036, that should have been paid out of the operating account; the regional jail paid these transactions from fees collected from the sale of phone cards and e-cigarettes, as well as fees collected for drug tests. These fees should have been paid to the operating account maintained by the county treasurer.
- One transaction totaling \$327 that should have been paid out of the commissary account.
- Two transactions that were not allowable totaling \$110 for the purchase of bereavement gifts.

The regional jail failed to implement controls over inmate account disbursements to ensure proper handling of the inmate account. The lack of controls increases the risk of undetected errors and fraud occurring. Inmate account disbursements were unsupported and improperly paid out of the account. Furthermore, operating disbursements were not properly reviewed and approved by the regional jail authority board prior to payment as required.

BOURBON COUNTY - NICHOLAS COUNTY REGIONAL JAIL AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2018
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-011 The Bourbon County - Nicholas County Regional Jail Authority Did Not Have Adequate Controls Over Inmate Account Disbursements (Continued)

The regional jail maintained an operating account for the general operations of the jail, a commissary fund account and a separate account for the inmate activities. Effective internal controls would require all disbursements to be properly supported and accounted for in each account to ensure accurate financial reporting. Good internal controls further require disbursements that are for the general operating of the jail to be made out the operating account to ensure the transactions are reviewed and approved by the board in accordance with established policies and procedures.

We recommend that the regional jail implement controls over the inmate account to ensure that inmate account disbursements are properly handled. All fees collected should be turned over to the operating account and any operating disbursements should be made from that account for review and approval by the board. We further recommend that the regional jail use the commissary bank account for all commissary activities to improve the ability to monitor commissary and inmate account activities.

Views of Responsible Official and Planned Corrective Action:

Bourbon County - Nicholas County Regional Jail Authority Administrator's Response: All invoice will be maintained and stored yearly at the jail. All fees collected will be turned over to the Board Treasurer for monthly operating expense.

2018-012 The Bourbon County - Nicholas County Regional Jail Authority Did Not Properly Handle Daily Receipts

This is a repeat finding and was included in the prior year audit report as finding 2017-012. Receipts collected from March 5, 2018 through March 9, 2018 were tested. Based on this review, it was noted that receipts are not batched or reported on daily checkout sheets. For the week tested, it was noted that commissary receipts were not deposited into the commissary account but were maintained in the inmate account. The commissary company prepared a check for commissary commissions that was paid to the commissary account on a monthly basis. Furthermore, the daily reports on the inmate account did not meet the criteria for a daily checkout sheet per the Department for Local Government's (DLG) manual. The reports did not categorize receipts or provide a breakdown of the cash and checks collected for each day. As noted in finding 2018-004, the regional jail did not maintain a receipts ledger for the commissary or the inmate account.

There is no management oversight in place over inmate and commissary accounting functions to ensure receipts are batched and deposited daily. Additional training may be needed on the functions of the commissary system to generate the types of reports needed to properly account for receipts. By not batching receipts or preparing daily checkout sheets, the regional jail is creating the opportunity for undetected misappropriation of assets and inaccurate financial reporting to occur.

Strong internal controls over receipts are necessary to ensure accurate financial reporting and to protect assets from misappropriation. Effective internal controls are also necessary to ensure compliance with applicable laws and regulations.

**BOURBON COUNTY - NICHOLAS COUNTY REGIONAL JAIL AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2018
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-012 The Bourbon County - Nicholas County Regional Jail Authority Did Not Properly Handle Daily Receipts (Continued)

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 DLG's *County Budget Preparation and State Local Finance Officer Policy Manual* which are to be used by jailers for jail commissary funds maintained pursuant to KRS 441.135. This manual includes the following accounting and reporting standards: "DAILY CHECK-OUT SHEET - Daily deposits are required. At the end of each business day the Jailer or assigned personnel should separate individual receipts into categories listed on the check-out sheet. The total of each category should be entered on the appropriate space provided. The amount deposited line should equal the amount of money on hand at the end of each day less start-up cash. A maximum of fifty dollars shall be used for start-up for the next business day. All daily detail (deposit form, cash receipts, etc.) should be attached to the form. If the total daily deposit is correct, post to the Jail Commissary Fund Receipts Journal."

"JAIL COMMISSARY RECEIPTS JOURNAL - Receipts should be posted to this journal on a daily basis. The total amount category should agree with the amount deposited line on the Daily Check-Out Sheet."

We recommend the regional jail board ensure receipts are batched, posted to a daily checkout sheet and deposited daily, as well as, properly recorded in a receipts ledger, in order to be in compliance with the minimum accounting standards as to the *County Budget Preparation and State Local Finance Officer Policy Manual*. The regional jail should work with the commissary company to obtain additional guidance on generating the necessary reports to properly account for daily receipts.

Views of Responsible Official and Planned Corrective Action:

Bourbon County - Nicholas County Regional Jail Authority Administrator's Response: All receipts, reports will be maintained and kept on file at the jail. We are looking for storage unit to maintain all records in an orderly manner.

2018-013 The Bourbon County - Nicholas County Regional Jail Authority Did Not Collect Sales Tax On Commissary Sales

This is a repeat finding and was included in the prior year audit report as finding 2017-013. The Bourbon County - Nicholas County Regional Jail Authority (regional jail) did not charge or collect sales tax on prepaid phone cards, e-cigarettes, or indigent packs sold to inmates through the commissary. No records were maintained that documented the number of these items sold. Per the regional jail administrator, they just had never charged sales tax before. As a result, the regional jail is out of compliance with state sales tax laws and could result in penalties and interest accruing on unpaid taxes.

Since these items are subject to Kentucky's 6% sales tax as levied in KRS 139.200, the jailer should have collected the tax and remitted taxes collected to the Kentucky State Treasury.

KRS 139.540 and KRS 139.550 require sales tax to be reported and paid to the Kentucky Department of Revenue monthly on or before the twentieth day of the next month.

BOURBON COUNTY - NICHOLAS COUNTY REGIONAL JAIL AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2018
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-013 The Bourbon County - Nicholas County Regional Jail Authority Did Not Collect Sales Tax On
Commissary Sales (Continued)

We recommend the regional jail collect and submit sales tax on all items required by the Kentucky Department of Revenue. We also recommend the regional jail contact the Division of Sales and Use Tax at the Department of Revenue for guidance on the appropriate method of collecting and remitting the tax and to determine the amount owed for previously sold commissary items, plus any penalties and interest, if applicable. This finding is being referred to the Kentucky Department of Revenue.

Views of Responsible Official and Planned Corrective Action:

Bourbon County - Nicholas County Regional Jail Authority Administrator's Response: Reaching out to the Dept of KY state revenue about sales tax.