



**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.

**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.

**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
- 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  
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**Auditor's Responsibility**

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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.

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**Opinions**

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- 2015-005 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
- 2015-006 The Bourbon County - Nicholas County Regional Jail Authority Did Not Reconcile The Payroll Revolving Account

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

- 2015-007 The Bourbon County - Nicholas County Regional Jail Authority Did Not Properly Handle Disbursements
- 2015-008 The Bourbon County - Nicholas County Regional Jail Authority Did Not Have The Proper Policies And Procedures In Place For Bids
- 2015-009 The Bourbon County - Nicholas County Regional Jail Authority Did Not Have Proper Controls Over Payroll Resulting In Noncompliance
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