

Diehl Banwart Bolton

Certified Public Accountants PA

October 17, 2022

COMMUNICATIONS OF INTERNAL CONTROL ISSUES AND OTHER AUDIT MATTERS TO THE BOARD OF COUNTY COMMISSIONERS

The Board of County Commissioners
Bourbon County, Kansas
Fort Scott, Kansas 66701

We have audited the regulatory basis financial statements of Bourbon County, Kansas for the year ended December 31, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our 2021 Audit contract with you dated May 5, 2022. Professional standards also require that we communicate to you the following information related to our audit

INTERNAL CONTROL ISSUES

In planning and performing our audit of the financial statement of the Bourbon County, Kansas, as of and for the year ended December 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bourbon County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control 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 did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 following deficiency in the County's internal control to be a significant deficiency.

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RECONCILIATION OF CASH IN BANK TO THE COUNTY’S ACCOUNTING RECORDS

It is the responsibility of the County Treasurer’s office to reconcile the cash in the county’s various bank accounts to the accounting records. After completion of the audit of the County’s 2020 financial statements, the County hired a Business Manager to oversee the County’s accounting records in order to ensure accurate and timely financial information for management of the County. By the end of the year, bank reconciliations were prepared for all accounts and adjustments posted to agree the County’s accounting records to the bank balances. The bank reconciliations are now prepared each month and adjustments made as needed.

The important point going forward is to make sure that the reconciliations not only continue to be performed monthly, but also are done in a timely manner. The bank’s records were not finally reconciled until several months into 2022. It is our understanding that the reconciliations are now completed in a timely manner within a few weeks after the end of the month. Monitoring should continue to ensure that the reconciliations are prepared each month on a timely basis.

OTHER CONTROL ISSUES

The following internal control issues do not involve a material weakness or significant deficiency as defined above, but do merit attention by the County Commissioners.

SHERIFFS FUNDS

While in the process of completing the fieldwork on the audit, it came to our attention that the Sheriff’s office had three bank accounts for which we had no knowledge of. These accounts were as follows:

1. Bank account for out of State fees for process serving.
2. Bank account for fees from conceal and carry registration.
3. Bank account for registered offenders.

Once we were aware of these accounts, we reviewed the activity in these accounts, summarized as follows:

	2021 Receipts	2021 Expenses	Balance 12/31/2021
Process Serving	\$ 2,832.54	\$ 3,259.39	\$ 984.84
Conceal Carry	1,137.00	470.50	2,647.01
Registered Offenders	9,210.00	3,846.50	22,197.09
Totals	\$ 13,179.54	\$ 7,576.39	\$ 25,828.94

Expenses in all three funds were supported by invoices, and appeared to be allowable expenses of the County. All three accounts have been open for many years under the supervision of the sheriff’s office. We did not review any activity in these accounts prior to 2021. Several sheriffs have overseen these accounts throughout the years.

Although we did not see evidence of unusual or improper expenses, there are internal control issues whenever accounts are kept under the control of one department. Internal controls should be in place to insure that funds are properly turned over to the county, expenses are supported by invoices and approved by the county, and the Treasurer monitors cash balances. It is our understanding that Kansas statutes require the sheriff to turn over these funds to the county and under the review of the treasurer, clerk, and county commission. Accordingly, since the funds were not turned over to the county, numerous apparent violations of Kansas statutes were cited in the audit this year.

We recommend that these funds be turned over to the county treasurer and supervised by the county clerk, treasurer and commissioners as required by Kansas statutes.

In addition, since there were these instances of accounts under the county's tax id number that were not monitored by the clerk, treasurer and commissioners, the county should contact all the financial institutions in the county to determine if there were any other accounts that are not monitored by the county as required by Kansas statutes.

INMATES FUNDS

The Community Corrections Department maintains an inmates fund in a separate checking account. This account serves two purposes. When a prisoner is placed in the jail, money on the possession of the inmate or additional money provided for the inmate is placed in this account. The inmate can use these funds to purchase goods from the commissary. Proceeds from the sales of commissary items to inmates are also placed into this checking account to purchase items for resale to the inmates. Historically, the profits from sales to inmates have been used to assist in the expenses of the jail. There is a weakness in internal controls over this account since the inmates' funds are maintained by one employee of the County. A weakness occurs whenever there is only one employee involved in all aspects of the accounting process including receipt of funds, the maintenance of accounting records, reconciliation of the bank account, and disbursement of funds. These duties are currently performed by the inmates' funds coordinator.

Due to the weakness in internal controls over these funds, it is important that the accounting for these funds is properly maintained and good internal control procedures are followed. The following procedures should be performed for the inmate funds:

1. The check register should be reconciled to the bank statement each month.
2. The balances held for inmates should be readily maintained.
3. Money should be receipted and deposited promptly.
4. Disbursements should be supported by invoices.
5. Checks greater than \$500 should be signed by two people.
6. All accounting and reconciliation documents prepared each month should be initialed by the person preparing the work as well as a supervisor showing that the work has been reviewed by a second person.

It is our understanding that these procedures are performed at the Correctional Center. We want to emphasize the importance of these controls over inmate funds.

In addition to the issue with internal controls, the inmates account balance has steadily grown each year from a balance of \$17,984 as of December 31, 2013 to a balance of \$133,996 as of December 31, 2021. Although historically the Inmates account has maintained a balance for jail expenses, we believe that it would be prudent to require excess funds in the account to be turned over to the county treasurer. We suggest that a reasonable amount be kept in the account for monthly expenses of the account, with excess funds turned over to the county treasurer and placed in the Public Safety Fund.

OTHER REQUIRED COMMUNICATIONS

SIGNIFICANT AUDIT FINDINGS

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note 1 to the audited financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The County's financial statements are prepared on the regulatory basis of accounting.

There are no estimates in the County's financial statements inasmuch as revenues are recorded when cash is actually received and expenses are recorded when paid in cash and include accounts payable for goods or services received but not paid for until after the current year end encumbrances.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There are no sensitive disclosures in these financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and/or completing our audit except for the delay caused by the identification of three unknown checking accounts in the Sheriff's department discussed earlier in this letter.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Included with this report are the Adjusting Journal Entries we posted in connection with the audit. We posted numerous adjustments to your accounting records. We have gone over these adjustments with the Clerk and Treasurer.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 17, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This communication is intended solely for the information and use of management, the County Commissioners, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

As always, we wish to express our appreciation to you and to the employees in the various county offices for all the courtesy and assistance received during this year's audit. If you should have any questions concerning any items in this letter, please feel free to contact me.

Very truly yours,

DIEHL, BANWART, BOLTON, CPAs, PA

Terence L. Sercer

Terence L. Sercer, CPA

BOURBON COUNTY, KANSAS
 ADJUSTING JOURNAL ENTRIES
 DECEMBER 31, 2021

FILE: Adjusting Journal Entries.xlsx

FUND	ACCOUNT NAME	ACCOUNT NUMBER	DEBIT	CREDIT
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G = GENERAL JOURNAL ENTRIES

General Journal entries are adjustments that are made that are accounting adjustments and not necessarily due to auditing procedures performed. The following General Journal Entries were made before actual audit procedures began, and should be posted in your accounting records as noted below.

G-1

GENERAL FUND - FUND BALANCE	(1)	Do Not Post	34,604.07	
GENERAL FUND - EXPENSES	(1)	Do Not Post		34,604.07
COVID GRANTS FUND - FUND BALANCE	(1)	Do Not Post	34,604.07	
COVID GRANTS FUND - EXPENSES	(1)	Do Not Post		34,604.07
GENERAL FUND - FUND BALANCE	(2)	Do Not Post		270.70
GENERAL FUND - RECEIPTS	(2)	Do Not Post	270.70	
COMPUTER EQUIPMENT RESERVE FUND - FUND BALANCE	(3)	Do Not Post	2,391.96	
COMPUTER EQUIPMENT RESERVE FUND - RECEIPTS	(3)	Do Not Post		2,391.96
TREASURERS TECH FUND - FUND BALANCE	(3)	Do Not Post	2,812.30	
TREASURERS TECH FUND - RECEIPTS	(3)	Do Not Post		2,812.30
ROAD AND BRIDGE FUND - FUND BALANCE	(3)	Do Not Post	945.80	
ROAD AND BRIDGE FUND - RECEIPTS	(3)	Do Not Post		945.80
AMBULANCE FUND - FUND BALANCE	(2)	Do Not Post	0.02	
AMBULANCE FUND - RECEIPTS	(2)	Do Not Post		0.02
COVID GRANTS FUND - FUND BALANCE	(1)	Do Not Post	34,993.60	
COVID GRANTS FUND - EXPENSES	(1)	Do Not Post		34,993.60

TO ADJUST FUND BALANCES FOR THE FOLLOWING:

- (1) PY ADJUSTMENT TO CLOSE OUT COVID FUND NOT RECORDED
- (2) INSIGNIFICANT ACTIVITY POSTED DIRECTLY TO FUND BALANCE
- (3) VOIDED CHECKS CODED DIRECTLY TO FUND BALANCE
- (4) ACTIVITY TO CLOSE OUT COVID FUND POSTED DIRECTLY TO FUND BALANCE

G-2

GENERAL FUND - CASH	001-00-0010		0.04	
GENERAL FUND - DELINQUENT TAX RECEIPTS (FUND BALANCE)	001-00-0040			0.04
JR COLLEGE TUITION FUND - RECEIPTS (FUND BALANCE)	104-00-0040		0.01	
JR COLLEGE TUITION FUND - CASH	104-00-0010			0.01
SPECIAL LIABILITY FUND - RECEIPTS (FUND BALANCE)	242-00-0040		0.03	
SPECIAL LIABILITY FUND - CASH	242-00-0010			0.03

TO RECLASSIFY TAX DISTRIBUTIONS TO DISCONTINUED FUNDS TO THE GENERAL FUND

A = AUDIT JOURNAL ENTRIES

Audit journal entries are adjustments to your accounting records that came about due to audit procedures. They need to be posted in your accounting records if they haven't been posted already. These adjustments are posted in 2021, not in 2020.

A-1

CDBG GRANT FUND - EXPENSES	(1)	Do Not Post	1,650.00	
CDBG GRANT FUND - ACCOUNTS PAYABLE	(1)	Do Not Post		1,650.00

TO RECORD PAYABLE FOR FINAL AMOUNT DUE TO SEKRPC FOR GRANT ADMINISTRATION
 (THIS AMOUNT WAS PAID IN 2022)

BOURBON COUNTY, KANSAS
 ADJUSTING JOURNAL ENTRIES
 DECEMBER 31, 2021

FILE: Adjusting Journal Entries.xlsx

FUND	ACCOUNT NAME	ACCOUNT NUMBER	DEBIT	CREDIT
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R= RECLASSIFICATION JOURNAL ENTRIES

Reclassification journal entries are adjustments to your accounting records to reclass receipts and expenses normally to show more detail in the audited financial statement than is shown in your accounting records. These adjustments do not need to be recorded.

R-1

EMERGENCY MANAGE GRANT-RECEIPTS-FEDERAL GRANT	(2) Do Not Record			16,912.35
EMERGENCY MANAGE GRANT-RECEIPTS-MISCELLANEOUS	(2) Do Not Record		16,912.35	
PUBLIC SAFETY FUND-RECEIPTS-SHERIFF FEES	(3) Do Not Record		93.56	
PUBLIC SAFETY FUND-RECEIPTS-FEDERAL GRANT	(3) Do Not Record			93.56
ROAD AND BRIDGE-RECEIPTS-SPECIAL HIGHWAY	(4) Do Not Record		31,135.56	
ROAD AND BRIDGE-RECEIPTS-COUNTY EQUALIZATION	(4) Do Not Record			31,135.56
ROAD AND BRIDGE-RECEIPTS-REIMBURSEMENTS	(5) Do Not Record		376,047.29	
ROAD AND BRIDGE-RECEIPTS-FED EXCHANGE GRANT	(5) Do Not Record			69,230.77
ROAD AND BRIDGE-RECEIPTS-FED FEMA GRANT	(5) Do Not Record			270,720.46
ROAD AND BRIDGE-RECEIPTS-ST FEMA GRANT	(5) Do Not Record			36,096.06
MERCY MEDICAL BUILDING FUND-RECEIPTS-USER FEES	(6) Do Not Record		600,000.00	
MERCY MEDICAL BUILDING FUND-RECEIPTS--DONATION	(6) Do Not Record			600,000.00
JAIL BOND AND INTEREST FUND-RECEIPTS-SALES TAX	(7) Do Not Record		119,560.05	
JAIL BOND AND INTEREST FUND-RECEIPTS-MISCELLANEOUS	(7) Do Not Record			119,560.05
SEWER DISTRICT #1-RECEIPTS-BOND PROCEEDS	(1) Do Not Record			685,000.00
SEWER DISTRICT #1-MISCELLANEOUS	(1) Do Not Record		685,000.00	

TO RECLAS RECEIPTS AND EXPENSES FOR VARIOUS CODING ERRORS AS FOLLOWS:

- (1) RECLAS BOND PROCEEDS CODED TO MISCELLANEOUS
- (2) TO RECLASS GRANTS RECORDED AS MISCELLANEOUS RECEIPTS. FEDERAL AND STATE GRANTS SHOULD BE SHOWN SEPARATE IN THE ACCOUNTING RECORDS.
- (3) RECLASS FEDERAL GRANT CODED TO JAIL FEES
- (4) COUNTY EQUALIZATION RECORDED AS SPECIAL HIGHWAY AID.
- (5) RECLAS VARIOUS GRANTS CODED TO REIMBURSEMENTS
- (6) TO RECLASS DONATION CODED TO USER FEES -
- (7) TO RECLASS MISCELLANEOUS RECEIPT CODED TO SALES TAX -

R-2

PUBLIC SAFETY FUND-EXP-CONTRACTUAL	Do Not Record			29,172.00
PUBLIC SAFETY FUND-EXP-DEBT SERVICE	Do Not Record		29,172.00	
ROAD AND BRIDGE-EXPENSES-CONTRACTUAL	Do Not Record		52,000.00	
ROAD AND BRIDGE-EXPENSES-LEASE PURCHASES	Do Not Record			52,000.00
JAIL BOND AND INTEREST FUND-EXP-BOND PRINCIPAL	Do Not Record			7,055.00
JAIL BOND AND INTEREST FUND-EXP-BOND INTEREST	Do Not Record			18,474.75
JAIL BOND AND INTEREST FUND-OPERATING EXPENSES	Do Not Record		25,529.75	
SEWER DISTRICT #1-EXPENSE-CAPITAL PROJECTS	Do Not Record		16,194.26	
SEWER DISTRICT #1-EXPENSE-PRINCIPAL	Do Not Record			16,194.26
LANDFILL FUND-EXPENSES-CONTRACTUAL	Do Not Record		1.25	
LANDFILL FUND-EXPENSES-INTEREST	Do Not Record			1.25

TO RECLAS DEBT SERVICE TO AGREE WITH DETAIL LTD SCHEDULE OF ACTUAL PAYMENTS

BOURBON COUNTY, KANSAS
 ADJUSTING JOURNAL ENTRIES
 DECEMBER 31, 2021

FILE: Adjusting Journal Entries.xlsx

FUND	ACCOUNT NAME	ACCOUNT NUMBER	DEBIT	CREDIT
R-3				
	GENERAL FUND-TRANSFERS OUT-	Do Not Record		16,000.00
	GENERAL FUND-EXPENSES-AMBULANCE	Do Not Record	16,000.00	
	ELECTION EQUIPMENT FUND-RECEIPTS-TRANSFERS	Do Not Record		28,000.00
	ELECTION EQUIPMENT FUND-RECEIPTS-TRANSFERS-GENERAL	Do Not Record	8,000.00	
	ELECTION EQUIPMENT FUND-RECEIPTS-TRANSFERS-ELECTION	Do Not Record	20,000.00	
	TO RECLAS OTHER INCOME INCLUDED IN TRANSFER IN ACCOUNT.			
R-5				
	SEWER DISTRICT #2 FUND-RECEIPTS-BOND PREMIUM	Do Not Record		5,743.25
	SEWER DISTRICT #2 FUND-EXPENSES-CAPITAL PROJECTS	Do Not Record	5,743.25	
	TO RECLASS PREMIUM RECEIVED ON BONDS			
			2,113,661.92	2,113,661.92

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