



Auditor of Public Accounts
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FOR IMMEDIATE RELEASE

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Edelen Releases Audit of Morgan County Fiscal Court

FRANKFORT, Ky. – State Auditor Adam Edelen has released the audit of the financial statements of the Morgan County Fiscal Court for the fiscal year ended June 30, 2013. State law requires annual audits of county fiscal courts.

Recent changes in auditing standards require the auditor's letter to communicate whether the financial statement presents fairly the receipts, disbursements and changes in cash and cash equivalents of the Morgan County Fiscal Court in accordance with generally accepted accounting principles in the United States. The report found that the financial statement of the Fiscal Court did not follow this format; however, the Fiscal Court's financial statement is fairly presented in conformity with the regulatory basis of accounting, which is an acceptable reporting methodology. This reporting methodology is followed for 115 of 120 fiscal court audits in Kentucky.

The audit will be referred to the Attorney General, the Federal Bureau of Investigation, the Department of Military Affairs, and the U.S. Department of Agriculture.

As part of the audit process, the auditor must comment on non-compliance with laws, regulations, contracts and grants. The auditor must also comment on material weaknesses involving the internal control over financial operations and reporting.

The audit contains the following comments (details can be found in the full audit report):

- The Fiscal Court should have had more oversight of the activities of the County and the former County Judge/Executive.
- The county has an outstanding encumbrance in the amount of \$954,936.
- The Fiscal Court does not have adequate oversight over the Morgan County Real Properties I and II.

- The Fiscal Court should ensure insurance policies are adequate.
- Public Properties Corporation disbursements were not approved by the Project Development Board.
- The Fiscal Court should pay invoices within 30 working days.
- The Fiscal Court should pay overtime properly.
- The Fiscal Court should approve annually a salary schedule.
- The county should properly withhold employees' health insurance premiums.
- The Fiscal Court should annually review the Administrative Code and make any changes or revisions they deem necessary.
- The Fiscal Court failed to implement adequate internal controls over federal awards.
- The Fiscal Court did not have proper oversight for Appalachian Regional Commission (ARC) grant.
- The county did not maintain adequate supporting documentation for federal expenditures.
- Debris removal invoices did not coincide between FEMA contractors.
- The county paid contractors based on supporting documentation that was created by county personnel.
- The Fiscal Court may have used FEMA funds to make improvements to park project.
- The county did not comply with federal regulations regarding contracts.
- The Fiscal Court failed to provide required matching funds for NRCS projects.
- The Fiscal Court failed to solicit bids for NRCS projects.
- The Fiscal Court failed to comply with regulations regarding American Reinvestment & Recovery Act (ARRA) funds.
- The Fiscal Court did not properly approve two FEMA expenditures.
- The Fiscal Court did not execute a lease agreement for FEMA temporary relocation activities.

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

The Morgan County Arts and Recreation report can be found on the [auditor's website](#).

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