



Auditor of Public Accounts
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Edelen Releases Audit of Casey County Fiscal Court

FRANKFORT, Ky. – State Auditor Adam Edelen has released the audit of the financial statements of the Casey County Fiscal Court for the fiscal year ended June 30, 2014. 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 Casey 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.

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:

The Fiscal Court should comply with bidding requirements per KRS 424.260. The Fiscal Court paid a vendor \$199,993 for road materials without obtaining bids. The vendor supplying the road materials was a state price contract vendor for other counties but not for Casey County.

Competitive bidding helps to ensure that the county procures goods and services at the best price available.

The County has not adopted the state’s Model Procurement Code and KRS 424.260 states: “Except 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, lease, or other agreement for materials, supplies except perishable meat, fish, and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than twenty thousand dollars (\$20,000) without first making newspaper advertisement for bids.”

Since the County has not adopted the state’s Model Procurement Code, we recommend the Fiscal Court comply with KRS 424.260 by obtaining bids for all purchases involving disbursements of more than twenty thousand dollars (\$20,000) except for those items exempted in the statute or make purchases from correct state price contract vendors.

County Judge/Executive Wright’s response: I was told by vendor & state that Vulcan Materials had state pricing. We did bid this out for the current year.

The Jailer should follow up on all outstanding checks in a timely manner. The Jailer had numerous outstanding checks. The issue dates of these checks were as far back as July 8, 2010. All un-cleared outstanding checks issued prior to this date have been sent to the Kentucky State Treasurer as unclaimed property. KRS 441.137(1)(2) states:

“For any moneys in an inmate account or prisoner canteen account of a jail that are not returned to a prisoner at the time he or she is released from the jail, the jailer shall transmit a check for the balance of the moneys by first class mail to the released prisoner at his or her last known address. If the check is returned as undeliverable, then the jailer shall attempt to contact the prisoner at a telephone number on file, if any to arrange the return of the moneys.

If the moneys are not claimed after the jailer fulfills the requirements of this subsection, the moneys shall be presumed abandoned after one (1) year after the date the check is mailed or, if an attempt to call is made, the date of the phone call. Any abandoned moneys as set out in subsection (1) of this section shall, if in a prisoner account, be transferred into the canteen account if these are two (2) different accounts, or shall remain in the canteen account and be available for the purposes set out in KRS 441.135.”

We recommend the Jailer follow up on all outstanding checks by following the procedures of KRS 441.137(1)(2). If monies are not claimed after that they should be transferred to the commissary account.

County Judge/Executive Wright’s response: The official did not respond.

County Jailer Miller’s response: We have took measures to correct this issue in that we send out letter to address we have on file and try and call the number we have recorded for each inmate to try and make contact.

Inmate monies should not be comingled with commissary funds. The Jailer maintains two separate bank accounts to account for receipts and disbursements of the Jail Commissary Fund. The Inmate account is to be used to account for all inmate moneys received and disbursed as refunds or transfers to the Commissary account for commissary purchases by the inmates and jail fees collected from the inmates for payment to the county treasurer. No other receipts should be deposited into this account and no other disbursements should be made from it. Deposits to the

Commissary account should only consist of transfers from inmate accounts for commissary purchases and jail fees collected from the inmates as well as any other moneys relating to commissary activities such as interest earned, sale of surplus commissary fund property, etc. As of June 30, 2014 the inmate account balance had a reconciled balance of \$61,631. Based on available records, inmate balances as of that date totaled \$3,950. It was noted there were outstanding checks in the inmate account totaling \$11,884 dating from fiscal year 2010 through 2013. The remaining difference of \$45,797 is considered to be commissary account monies. Sales taxes and various other disbursements were made from the inmates account. By paying sales taxes and other various disbursements from the inmate account, private monies are being used for a public purpose.

KRS 64.850 states “It shall be unlawful for any county official to deposit public funds with individual funds in any bank or other depository or for any such official to withdraw public funds for any purpose other than that which they were received and deposited.”

We recommend the Jailer avoid comingling inmate and commissary funds by depositing inmate moneys only to the inmate account and issuing checks from the inmate account only for refunds and transfers to the commissary fund for fees paid and purchases made by inmates. All other receipts should be deposited to the commissary account and all other disbursements should be made from the commissary account.

County Judge/Executive Wright’s response: The official did not respond.

County Jailer Miller’s response: I will take the auditors recommendation into consideration regarding this issue.

The Fiscal court should not pay the Dog Warden’s salary in addition to contract labor costs. The Dog Warden was receiving a payroll check for which he received a W-2, and received a \$600/month expense allowance for which he received a 1099. The fiscal court can either hire an individual as a county employee or hire the individual as contract labor but not both.

Without reporting all wages with his W-2 salary, the fiscal court is not requiring the Dog Warden to track his accurate time and mileage used in his position. There is an increase in the risk that misstatements of financial activity with time and/or expense will occur and go undetected by the Fiscal Court, when best business practices are not applied.

We recommend the fiscal court implement one of the following options:

- Increase the Dog Warden’s salary to include the current rate of \$600/month expense allowance and include on the employees’ W-2;
- Keep the Dog Warden’s payroll salary the same and require the Dog Warden to prepare a travel/expense voucher at least monthly and turn in receipts for reimbursement.

County Judge/Executive Wright’s response: I believe we are compliant with current statutes. We will look into this further.

The Fiscal Court should strengthen internal controls over payroll. Audit testing resulted in the following:

- Three (3) out of fourteen (14) employees tested did not prepare a timesheet.
- One (1) employee's timesheet/timecard was not signed by their immediate supervisor and/or the County Judge/Executive.
- Two (2) employee's timesheets/timecards were not signed by the employee.
- Fiscal Court does not track salaried employee's leave balances.

KRS 337.320(1)(a), (b), and (c) require that “every 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 employee; (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.

Lack of proper payroll documentation and internal controls over this area, increases the risk to the Fiscal Court as well as the employee. The risk of misstatements of financial activity and/or fraud will occur and go undetected by the Fiscal Court, or the risk of employees not receiving the correct time available to them increases. Without proper procedures in place to mitigate this risk, Fiscal Court is exposing public resources to potential misstatements and/or fraud.

We recommend Fiscal Court strengthen internal controls over the payroll process to ensure timecards/timesheets are prepared each pay period for all employees except elected officials, are submitted and signed by employees, and approved by supervisors. In addition, we recommend a periodic review of compensated absences to ensure employees are not being paid for time not earned.

County Judge/Executive Wright's response: If any employee supervises 2 or more employees I believe they do not have to sign time sheet.

Auditor's Reply: The Kentucky Department of Labor and Fair Labor Standards Act require accurate accounting of employee's time. Most employers use supervisory signatures to meet this requirement. The county's administrative code or other information gathered during the audit identified another way the county ensures accuracy without supervisory approvals; therefore, we reiterate our recommendation that timesheets are submitted and signed by employees, and approved by supervisors to ensure accuracy.

The Fiscal Court should improve purchase and procurement procedures. Auditors tested ninety-five (95) disbursements from all of the Fiscal Court's budgeted funds and noted the following exceptions:

- One (1) invoice was cancelled incorrectly: incorrect check number was written on invoice.
- Five (5) payments were not paid within thirty (30) working days.
- One (1) disbursement was paid from a quote and not an original invoice.
- Recurring software charges are being paid on a monthly credit card statement without proper supporting documentation.

All invoices should be cancelled when paid to prevent duplicate payments. All original vendor invoices should be maintained including any supporting documentation. All disbursements should be paid within thirty (30) working days.

Lack of proper accounting practices and internal controls increases the risk that misstatements of financial activity and/or fraud will occur and go undetected by the Fiscal Court. Without proper procedures in place to mitigate this risk, Fiscal Court is exposing public resources to potential misstatements and/or fraud.

KRS 65.140 states that “unless 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”. This statute further states “an interest penalty of one percent (1%) of any amount approved and unpaid shall be added to the amount approved each month or fraction thereof after the thirty (30) working days which follow receipt of vendor’s invoice by the purchaser.”

We recommend Fiscal Court maintain all original vendor invoices including any supporting documentation, cancel actual invoices upon payment to prevent duplicate payments, maintain current contracts with all required vendors, and approve and issue purchase orders before purchases are made or the work or service is performed. All disbursements should be paid within thirty (30) working days in compliance with KRS 65.140.

County Judge/Executive Wright’s response: The official did not respond.

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

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