



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

FRANKFORT, Ky. – State Auditor Adam Edelen has released the audit of the financial statements of the Elliott 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 Elliott 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:

Restricted Road Funds of \$26,706 were spent for General Fund purposes, increasing the liability owed from the General Fund to the Road Fund to \$146,905. Money from restricted road funds was used for purposes other than permitted by law. Road funds can only be spent on roads, except for the amount approved by Department for Local Government (DLG) on the Road Cost Allocation Worksheet. For the years 2010 through 2013, the liability owed from the General Fund to the Road Fund due to misuse of restricted funds was \$120,199. During the year, we determined the Road Fund spent additional restricted funds of \$26,706 on Solid Waste Coordinator Salary, bringing the cumulative liability owed from the General Fund to the Road Fund to \$146,905. Under the regulatory basis of accounting, fund balances are not adjusted for

the unpaid liability on the financial statement, however the liability is still owed. We recommend the General Fund liability be paid as money becomes available.

County Judge/Executive Carl Fannin's response: The Solid Waste Coordinators salary is now being paid from the General Fund. We will formulate a payment plan to pay this deficit.

The Jail Fund owes the Local Government Economic Assistance fund \$21,795 from prior years. In prior years, \$21,795 of restricted Local Government Economic Assistance (LGEA) funds were transferred to the Jail Fund in excess of the approved amount, creating a liability between the funds. The excess amount had not been repaid as of FYE June 30, 2014. As of FY 2010-2011, excess transfers from the LGEA Fund to the Jail Fund were no longer being made. Fiscal Court has not made any payments from the Jail Fund to the LGEA Fund to reduce the liability. Under the regulatory basis of accounting, fund balances are not adjusted for the unpaid liability. We recommend the General Fund liability be paid as money becomes available.

County Judge/Executive Carl Fannin's response: We will work on a payment plan to pay back this deficit.

Timesheets should be maintained for all employees. KRS 337.320 requires every employer to maintain a record of: (a) the amount paid each pay period to each employee; (b) the hours worked each day and each week by each employee. The Road Supervisor does not submit a timesheet. All county employees, with the exception of elected officials, should submit timesheets to document their time worked and leave time used. 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. We recommend the Road Supervisor maintain and submit timesheets that are signed by both the employee and supervisor, and that timesheets agree to the hours paid.

County Judge/Executive Carl Fannin's response: Timesheets will be kept for all employees from this point forward.

The County did not comply with bid procedures for a purchase exceeding \$20,000. The County purchased a backhoe for \$38,500 from a local vendor without advertising for bids. Making purchases over \$20,000 without advertising for bids is allowable if purchases are made from an approved state contract vendor for the state contract price. However, this purchase was made from a local vendor who was not an approved state price contract vendor. Failure to either advertise for bids or purchase from an approved state price contract vendor is a violation of KRS 424.260 and a possible misuse of public funds. We recommend the County purchase from state price contract vendors or advertise for bids for all purchases of \$20,000 or more in accordance with KRS 424.260.

County Judge/Executive Carl Fannin's response: This was a clear oversight that we will work to ensure does not happen again.

The County lacks adequate segregation of duties and lacks internal controls over disbursements. The County lacks adequate segregation of duties and internal controls over disbursements. Typically when one person is in charge of these functions, strong compensating

controls are needed. The treasurer posts receipts, disbursements, and prepares bank reconciliations and reports. We recommend the following procedures be implemented to strengthen internal controls over these various functions:

An employee independent of check writing and posting duties should match purchase orders to checks and invoices. The employee who signs checks should cancel purchase orders and invoices to ensure invoices are not paid twice. Also, the employee should ensure the check numbers agree to the check register and vouchers and the disbursements are posted to the appropriate account code.

County Judge/Executive Carl Fannin's response: We will have another employee review disbursements.

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

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