



Auditor of Public Accounts
Adam H. Edelen

FOR IMMEDIATE RELEASE

Contact: **Stephenie Hoelscher**
stephenie.hoelscher@ky.gov
502.564.5841
513.289.7667

Edelen Releases Audit of Knott County Fiscal Court

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

Disbursements should not exceed budget appropriations. The county spent in excess of the total budgets in the General, Road, Jail, and State grant funds, as noted below.

General Fund	\$ 7,026
Road Fund	\$ 758,487
Jail Fund	\$ 155,262
State Grant Fund	\$ 1,311,091

In addition the county spent in excess of the budgeted line items in the LGEA and the Emergency Management funds, as noted below.

Local Government Economic Assistance Fund:	
Social Services	\$ 5,078
Recreation and Culture	\$ 8,251
Administration	\$ 171,373

Emergency Management Fund:	
General Government	\$ 20
Protection to Persons and Property	\$ 20

The county prepared a budget amendment at the end of the year; however it was not completed timely and was not approved by the Department for Local Government. Each time the county spends in excess of a line item, it may be violating KRS 68.300, which states “Any appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within the budget appropriation, shall be void.” The county has paid out more than it has budgeted in 99 line items. Purchase requests should not be approved in an amount that exceeds the available line item appropriation unless the necessary and appropriate budget transfers have been made. By expending in excess of the budgeted line items, disbursements are potentially void. We recommend the County Treasurer present line item budget transfers to the fiscal court as necessary to ensure disbursements do not exceed budgeted appropriations.

County Judge/Executive Zach Weinberg response: This occurred because an amendment was sent to DLG late. To keep this from occurring again, we will have two meetings in June in order to approve any last second amendments. We have also been amending the budget more often. We are currently working on amendment 10.

A detailed capital asset disbursement listing should be maintained. The County Treasurer should maintain a detailed listing of all fixed assets and construction in progress. This list should include assets purchased within the county’s capitalization policy during the fiscal year. In addition, any assets that were sold during the fiscal year and is listed on this schedule should be removed. This list should also be compared annually to the Fiscal Court’s insurance policy to ensure that all assets are either added or removed from the policy. The Fiscal Court’s failure to maintain an accurate list could result in a potential loss for the Fiscal Court. We recommend that the Fiscal Court maintain an accurate detailed asset schedule and compare this list to the insurance policy annually.

County Judge/Executive Zach Weinberg response: Treasurer thought his asset listing was adequate. Will try to do better in the future.

The County Judge Executive is due additional salary for calendar year 2013. The Knott County Judge/Executive did not receive his statutory for calendar year 2013. We determined that the county judge executive was underpaid in the amount of \$2,890. KRS 64.5275 states the Sheriff shall receive an annual salary pursuant to the salary schedule set by the Kentucky Department for Local Government (DLG). The county judge/executive was appointed to office on April 1, 2013, therefore the maximum salary set for the County Judge/Executive in calendar year 2013 for 9 months was \$56,352. The County Judge/Executive was paid \$53,462. The County Judge/Executive is due additional salary of \$2,890 for calendar year 2013.

KRS 64.530 states the County Judge Executive shall receive an annual salary pursuant to the salary schedule set by the Kentucky Department for Local Government (DLG). We recommend that the Knott County Fiscal Court pay the County Judge/Executive additional salary of \$2,890 for calendar year 2013 in accordance with the maximum salary authorization set by DLG.

County Judge/Executive Zach Weinberg response: A check has been issued for the above amount.

The County should improve controls over credit card disbursements. The county used credit cards for a variety of purposes during fiscal year 2014, including conferences and meals purchases. Credit card use is allowable, however all purchases must be evidenced by original, detailed invoices to determine if those purchases are allowable and for county business. Our test of credit card purchases found the following:

- Of the total \$7,877 of credit card invoices tested, \$314 did not have detailed invoices.
- The county accrued and paid interest charges totaling \$94.
- Two (2) out of the six (6) credit card invoices tested were not paid within 30 business days.

Since the county did not require all purchases to have detailed original invoices attached, we could not determine that payments made for the disbursements were appropriate. Also, since invoices were not paid timely, the county was charged late charges and accrued interest. KRS 65.140(2) states that all bills for goods or services shall be paid within thirty (30) working days of receipt of vendor's invoice except when payment is delayed because the purchaser has made a written disapproval of improper invoicing by the vendor or by the vendor's subcontractor. It continues to state that if a payment of invoices exceeds 30 days, a 1% interest penalty should be added. We recommend the county require all employees who use the credit card maintain original, detailed invoices. In addition, we recommend the county refrain from paying interest charges and that the county comply with KRS 65.140 by paying invoices within thirty (30) working days.

County Judge/Executive Zach Weinberg response: We have all receipts for the FYE 6/30/2014. We were only missing a couple gas receipts and they were not available from the vendor. We are attempting to pay the credit card in a timely manner.

The County should strengthen controls over payroll. The county did not implement strong oversight over payroll. Although the county has segregation of duties over the payroll function, the treasurer, finance officer and the health insurance coordinator to did not communicate effectively with one another.

Because proper oversight was not provided, the following occurred:

- Health insurance premiums were not withheld for the County Judge Executive.
- Constables did not provide documentation of 100 hrs worked per month to qualify for retirement.
- One Sportsplex employee did not submit timesheets.

Since communication between county personnel was not effective, errors occurred that would have been detected. To adequately protect against misappropriation of assets, we recommend the treasurer, finance officer and health insurance coordinator communicate with one another frequently in order to prevent these errors from happening in the future.

County Judge/Executive Zach Weinberg response: We have started withholding several months ago. County will require time cards from Constables. Sportsplex employee has begun filing time card.

The Fiscal Court should improve internal controls at the Knott County Sportsplex. We noted a lack of internal controls over the Knott County Sportsplex receipts and disbursements. Good internal controls over cash receipts help safeguard assets from employee theft, robbery, and unauthorized use. Good internal controls also enhance the accuracy and reliability of accounting records by reducing the risk of errors, intentional mistakes, and misrepresentations in the accounting process. Our review of the cash receipt and disbursement process for the Sportsplex revealed weaknesses in internal controls that should be addressed. The Knott County Sportsplex collects money for rental fees, membership fees, concessions, front door ticket sales, driving range receipts, arcade receipts and vending machine receipts. Based on observation and inquiry, the Sportsplex maintains cash registers at the front desk, the inside concession stand and the outside concession stand. Change funds are maintained at the driving range and at the front door during ticket sales. During basketball season, referees are paid out of the front door cash receipts. The Sportsplex director and another employee count the cash each morning and prepare a daily checkout sheet. If referees are paid out of the cash drawer, the amount is listed on the daily checkout sheet to reduce cash receipts from the day's business. The treasurer goes to the Sportsplex and picks up the deposits to take to the bank. While testing the Sportsplex procedures, auditors noted that deposits are not made daily. One deposit was held for 19 days before being deposited. Our review also found that the Sportsplex does not issue pre-numbered receipts for rental fees and membership fees collected at the front desk. Due to the high volume of cash transactions, we recommend the county implement the following procedures:

- Pre-numbered receipts should be maintained for all monies collected at the front desk for rental fees and membership fees.
- All money collected should be deposited daily and accounted for on the receipts journal.
- All disbursements paid to referees should be made by check only.

County Judge/Executive Zach Weinberg response: Bullets number 1 and number 2 were completed immediately and we are working on a solution for number 3.

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

###

The Auditor of Public Accounts ensures that public resources are protected, accurately valued, properly accounted for, and effectively employed to raise the quality of life of Kentuckians.

Call 1-800-KY-ALERT or visit our website to report suspected waste and abuse.

