



Auditor of Public Accounts
Mike Harmon

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Harmon Releases Audit of Webster County Fiscal Court

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statement of the Webster County Fiscal Court for the fiscal year ended June 30, 2015. State law requires annual audits of county fiscal courts.

Auditing standards require the auditor's letter to communicate whether the financial statement presents fairly the receipts, disbursements, and changes in fund balances of the Webster County Fiscal Court in accordance with accounting principles generally accepted in the United States of America. The fiscal court's financial statement 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 lacks adequate internal controls over the capital asset schedule. There is a lack of adequate internal controls over the preparation of the capital asset schedule. Assets held for resale were incorrectly included on the capital asset listing.

The treasurer updates the capital asset schedule from invoices; however, no one reviews the schedule for accuracy.

Capital assets were overstated in the prior year by \$480,322 because assets held for resale were included. Current year capital asset additions and ending balance were overstated by \$224,600 because of assets held for resale additions being included as capital asset additions.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. Per the *Instructional Guide for County Budget Preparation and State Local Finance Officer Policy Manual*, capital asset records are necessary for proper asset valuation, adequate and accurate insurance coverage, internal control, and long range planning for property placement. Additionally good internal controls are necessary to ensure the protection of assets.

We recommend the fiscal court ensure that the capital asset schedule is accurate and implement internal controls to monitor the accuracy of the schedule.

Current County Judge Executive Steve Henry's response: Steps will be taken to implement compliance.

The fiscal court lacks adequate internal controls over payroll. There is a lack of internal controls over payroll, including a lack of monitoring of payroll records.

Due to the lack of oversight and monitoring of payroll records, the following issues were noted:

- There was no record maintained for jail employees' use of leave time, vacation or sick time or employee leave balances.
- A road supervisor check was not endorsed.
- The sanitation manager does not keep a timecard.
- The road supervisor timecard is not approved by the county judge/executive.
- Incorrect time records are being maintained. For example, the clerk's office employees record 40 hours; however, due to lunches they only work 35 hours.
- Part-time employees' pay rates are not listed or approved on the fiscal court pay rate approval list.

KRS 337.320 requires "(1) Every employer shall keep 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; and (c) Such other information as the commissioner requires." Additionally, KRS 64.530 states "(1) Except as provided in subsections (5) and (6) of this section, the fiscal court of each county shall fix the reasonable compensation of every county officer and employee except the officers named in KRS 64.535 and the county attorney and jailer. The fiscal court may provide a salary for the county attorney." Also, strong internal controls are essential in ensuring that payroll is properly processed and that employees are properly paid.

We recommend the fiscal court strengthen internal controls over payroll by monitoring time records, pay rates, and hours worked by employees. Controls, such as supervisor review of all time cards, time records submitted prior to payroll payment, and addition of part-time position pay rates to the salary schedule will help ensure compliance payroll requirements.

Current County Judge Executive Steve Henry's response:

**Employees' use of time will be tracked through the payroll system along with Supervisor's manual records.*

**Payroll is now direct deposited into employee designated bank account.*

**Sanitation Manager now provides a time sheet for each pay period.*

**All time sheets reviewed by Department Head or Supervisor and approved by signature on time sheet.*

**Auditors have discussed proper reporting procedure with Webster County Clerk.*

**All employees listed by name, department, and pay rate for approval at Fiscal Court meetings.*

The fiscal court did not advertise for bids in accordance with KRS 424.260 and failed to properly surplus assets. The fiscal court failed to advertise for bids on four roll off trucks and one garbage truck. Vehicles traded in on the roll off trucks were not properly handled as surplus assets.

The fiscal court buys and sells two roll trucks each year from a truck dealership. The fiscal court originally received the two roll trucks every year through the Kentucky Association of Counties Leasing Program (KACoLT). The fiscal court decided to purchase and resell the roll trucks each year, instead of leasing. The fiscal court also failed to bid for a garbage truck purchased for the City of Providence. Additionally, the jail purchased a truck from commissary funds for inmate use using an executive order rather than properly bidding out the vehicle.

By failing to bid all assets purchased and surplus the roll trucks, the county has failed to comply with state laws and regulations.

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 for 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.” Furthermore, KRS 67.0802(2) states, “Before selling or otherwise disposing of any real or personal property, the county shall make a written determination setting forth and fully describing: (a) The real or personal property; (b) Its intended use at the time of acquisition; (c) The reasons why it is in the public interest to dispose of it; and (d) The method of disposition to be used.”

We recommend all purchases where a single vendor is paid greater than \$20,000 be bid in accordance with KRS 424.260 and that documentation of the bid process be maintained. We also recommend the fiscal court properly declare property as surplus prior to disposition in accordance with KRS 67.0802(2).

Current County Judge Executive Steve Henry’s response: Webster County will bid in accordance with KRS 424.260 for purchases above \$20,000.00. Webster County will comply with KRS 67.0802 before disposition of surplus property.

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

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