



Auditor of Public Accounts
Allison Ball

FOR IMMEDIATE RELEASE

Contact: Joy Pidgorodetska Markland
Joy.Markland@ky.gov
502.352.5216
502.209.2867

Ball Releases Audit of Hopkins County Fiscal Court

FRANKFORT, Ky. – State Auditor Allison Ball has released the audit of the financial statements of the Hopkins County Fiscal Court for the fiscal year ended June 30, 2023. State law requires annual audits of county fiscal courts.

Auditing standards require the auditor’s letter to communicate whether the financial statements present fairly the receipts, disbursements, and changes in fund balances of the Hopkins 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 116 of 120 fiscal court audits in Kentucky.

The audit contains the following findings:

The Hopkins County Fiscal Court had inadequate controls over disbursements resulting in noncompliance: Eighty-nine (89) invoices were tested, and the following findings were noted with Hopkins County Fiscal Court’s disbursements: seven (7) invoices totaling \$1,525,942 were not paid within 30 working days of receipt, twenty-three (23) invoices totaling \$3,118,528 did not have purchase orders issued, two (2) invoices totaling \$226,405 had purchase orders dated after the invoice date. In addition to the invoices tested, eleven (11) credit card statements were tested, and the following findings were noted: \$1,736 in late fees and finance charges were paid, seven (7) instances of missing invoices totaling \$1,276, and six (6) instances of invoices totaling \$659 were not paid within 30 working days of receipt.

We recommend the Hopkins County Fiscal Court improve procedures over disbursements by strengthening their internal controls over purchase orders and ensuring that purchase orders are fully filled out per DLG guidelines and obtained prior to all purchases. In addition, invoices should be paid within 30-days, in accordance with KRS 65.140(2), to ensure late fees and finance charges are not paid on credit cards.

County Judge/Executive’s Response: The judge executive admin is printing the charges of the [credit card named redacted] card for each court meeting and turns over the charges to the appropriate department to ensure they will be paid at each semimonthly court meeting. The sheriff’s office head bookkeeper will pay all the charges rather than waiting for a credit for returns. This will avoid late charges and finance charges. It will be suggested to the sheriff’s office that they do the same as the judge executive’s admin.

The Hopkins County jail commissary report was materially misstated: The Hopkins County Jail Commissary Report misstated both jail commissary receipts and disbursements by \$1,646,861. Commissions earned on commissary sales were netted against the commissary item costs, resulting in commissions receipts and costs each being understated by \$279,065. Also, the jailer provided a commissary report that combined the inmate money activity with the activity of the jail commissary fund. When jail staff was asked to separate the activity of the inmates’ money from the commissary fund, they were unable

to determine which receipts and disbursements belonged to the inmate money activity. During testing, we found that \$1,367,796 of inmate money activity was included in the report as jail commissary activity.

We recommend the Hopkins County Jail maintain and record all activity of the inmate trust account separately from the commissary funds. We recommend that the jail open a separate account for inmate funds if the activity cannot be separated while held in one bank account. We also recommend that all commissions received, and commissary costs paid, be properly recorded in the jail commissary receipts and disbursements ledgers. Inmate trust activity should reflect all money received for and disbursements made from inmate funds.

Jailer's Response: Since beginning the commissary contract with Care A Cell in 2017, the commissary company has netted the commission received on the monthly commissary bill as a credit. However, this has never been logged as income due to it being a credit on the monthly bill. Moving forward, I, bookkeeper [name redacted], will log the commissary commission that is netted as credit on the monthly bill as income on the Jail Management System, monthly.

The Hopkins County Fiscal Court does not have adequate controls over payroll processing: The Hopkins County Fiscal Court failed to implement adequate internal controls over payroll processing and timekeeping processes. The following findings were noted during testing of Hopkins County Fiscal Court's payroll:

- Three (3) employees' timesheets documented hours worked over 40 hours in a work week. The employees were not compensated at time and a half for hours worked over 40 hours. There was no documentation for the employees being considered to have salary exempt status.
- The Hopkins County Fiscal Court has not adopted a compensatory time policy, nor does the Hopkins County Personnel Policy include guidance about compensatory time earned.
- Compensatory time balance reports were not maintained for Judge's office employees including the treasurer's office and occupational tax office.

We recommend that the county adopt a compensatory time policy that addresses the requirements of KRS 337.285, including the accumulation and usage of compensatory time. The county should also develop a system to maintain compensatory leave balance reports for all employees to ensure they are being paid for hours worked and to protect the county's assets. This system should incorporate the written agreements of employees to earn compensatory time in lieu of being paid overtime. We also recommend the county contact the federal wage and labor board and get a written ruling on the status of these. This matter will be referred to the Kentucky Education and Labor Cabinet, Division of Wage and Hours.

County Judge/Executive's Response: There will have to be an amendment to the personnel policy. The court will have to decide how they want this to be handled in the future.

Occupational/Net Profit Tax Receipts were not processed or deposited timely: There appeared to be delays of up to three (3) weeks between the dates occupational/net profit taxes were received and when they were processed and deposited. Of the occupational/net profit tax receipts tested, \$823,113 of the \$1,107,820 were not processed or deposited timely. Additionally, one (1) business failed to file occupational taxes for the entirety of fiscal year 2023, and another business failed to file their quarterly occupational tax return for the quarter ending September 30, 2022. Furthermore, one (1) business failed to file their net profit return or an application for an extension.

We recommend the county treasurer and occupational tax administrator work together to develop a new system of handling occupational/net profit tax receipts that will help ensure such receipts are deposited in a timely manner and all businesses are filing their monthly or quarterly occupational tax returns, and if applicable, their net profit returns.

County Judge/Executive's Response: There are now 2 full-time employees working on OT, BL and NP. This should allow checks to be processed and deposited in a timely manner.

The Hopkins County Fiscal Court's schedule of expenditures of federal awards was misstated: The Hopkins County Fiscal Court's original schedule of expenditures of federal awards was misstated by \$588,352. The total misstatements are made up of the following errors in the following programs:

- Assistance Listing Number 14.228 - \$20,000 of expenditures during fiscal year 2023 were not included on the schedule of expenditures of federal awards.
- Assistance Listing Number 97.036 - \$568,352 of expenditures during fiscal year 2023 were not included on the schedule of expenditures of federal awards.

We recommend the Hopkins County Fiscal Court implement or strengthen controls over federal award expenditures reporting to ensure amounts reported represent true federal expenditures during the year.

County Judge/Executive's Response: Judge Executive Admin was using the totals given to her for ER Assist. There will be less receipts in fiscal year 24 so admin will be able to have the right totals.

The Hopkins County Fiscal Court failed to include all approved budget amendments on the fourth quarter financial statement: While performing audit procedures, it was noted that the sports plex fund's \$600,000 budget amendment to increase expenditures had not been included on the fourth quarter financial report. The budget amendment was prepared and approved in June 2023 but was overlooked when preparing the quarterly report. The fiscal court's review process was not sufficient to prevent the error.

We recommend the fiscal court strengthen internal controls over financial reporting to ensure that all approved budget amendments are accurately reported on the fourth quarter financial report.

County Judge/Executive's Response: Treasurer was unclear how to add the budget amendment in the software to make it appear in the quarterly report. The treasurer has been shown how to enter it now. The treasurer has only done a total of 3 amendments and just couldn't figure out how to make it work in the software. The treasurer had been manually adding the amendment.

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.

