



Auditor of Public Accounts Allison Ball

FOR IMMEDIATE RELEASE

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Ball Releases Audit of Logan County Fiscal Court

FRANKFORT, Ky. – State Auditor Allison Ball has released the audit of the financial statements of the Logan County Fiscal Court for the fiscal year ended June 30, 2024. 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 Logan 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 Logan County Fiscal Court failed to implement adequate internal controls over procurement and disbursements: The fiscal court did not implement adequate internal controls over procurement and purchasing to ensure that statutory requirements were being met, which allowed the following noncompliances and issues to occur:

- Fourteen of 53 transactions tested totaling \$117,495 were not paid within 30 working days.
- A contract for maintenance and monitoring of the emergency communication system was not properly advertised for bids. The bid solicitation failed to include renewal language that was added to the approved bid contract.
- The contract for maintenance and monitoring of the emergency communication system included language that the county would pay 18% over the costs for parts and shipping, but documentation was not obtained.
- Billings for parts and labor performed by a magistrate’s company appear to have been submitted on invoices by a third-party vendor which may be a violation of the county’s adopted ethics code.

We recommend the fiscal court implement internal controls to ensure all invoices are paid within 30 days to comply with KRS 65.140. The fiscal court should also implement proper procurement procedures to be certain that bid requests include all pertinent information for the fiscal court to receive the best bids. Additionally, the fiscal court should require supporting documentation when contracts specify percentage amounts over cost to verify the county is not overpaying. The fiscal court should also investigate invoices that come from companies that include charges for items the company does not provide. Also, the fiscal court should obtain a ruling from the applicable Board of Ethics regarding the possible ethics violation. The third-party billing issue will be referred to the Kentucky Attorney General’s Office for review.

County Judge/Executive’s Response:

- *Logan County Fiscal Court’s accounts payable makes every effort to ensure all invoices are paid within 30 days to comply with KRS 65.140. As outlined in Logan County’s Administrative Code, Page 15, Claims Against Logan County, C. Each claim shall be recorded by date, receipt and purchases order number and presented to the Fiscal Court at its next meeting. Page 23, Small Purchase Procedures, Item C. The deadline for purchase*

orders to be turned in for payment is the Wednesday preceding the following Tuesday's Fiscal Court meeting. All departments have been provided a copy of the Administrative Code. Only bills received by accounts payable can be processed timely.

- Logan County Fiscal Court will ensure all bid requests include all pertinent information in order for the fiscal to receive the best bid.
- Notification has been sent to all contracted vendors that supporting documentation is required when a contract specifically states a percentage amount over cost for parts and shipping in order for the county to verify that we are not overpaying for these items.
- Most members of the Logan County Fiscal Court were unaware that billings for parts and labor performed by a magistrate's company were submitted on invoices by a third-party vendor which is in violation of the county's adopted ethics code. At this time, the Logan County Judge/Executive is consulting with the County Attorney in reference to proper action regarding this finding.

The Logan County jail does not have adequate controls over the commissary and inmate accounts: The following findings were noted during the audit as a result of the inadequate internal controls:

- The jail commissary annual financial statement was incorrect and not filed with the county treasurer timely.
- The inmate bank account was not being properly reconciled to the total inmate individual balances
- Receipts are not being issued for items received by the commissary account nor are daily checkout sheets being prepared for the deposits.
- Inmate account deposits are not being made on a daily basis.
- The following issues were noted with jail commissary disbursements:
 - Two invoices totaling \$4,208 were not itemized.
 - Four transactions totaling \$9,988 did not have invoices to support the payment.
 - One disbursement in the amount of \$527 was not paid within 30 days.
 - The jailer failed to follow proper bidding procedures for the purchase of a camera system for \$47,075.
- There was a lack of segregation of duties over jail commissary activity. While the jailer tried to implement some compensating controls, they were not sufficient to prevent the findings noted above from occurring.

We recommend the Logan County Jail implement sufficient internal controls over the jail commissary account and financial statements, as well as the inmate accounts to ensure complete and accurate records are maintained, in addition, to being in compliance with applicable statutes.

County Judge/Executive's Response:

- *Emails were sent to the Office Staff on 08/02/2023, 8/10/2023, and to the Administrative Assistant and Jailer on 12/11/2023 by the county treasurer regarding the jail commissary annual financial statement requirements and supplied copies of previous reports for reference.*
- *Reconciliation of the inmate bank account is the responsibility of the jailer and his staff. Logan County Fiscal Court has not oversight of this account.*
- *A copy of the Department for Local Government's County Budget Preparation and State Local Finance Officer Policy Manual which contains all requirements regarding receipts for the commissary account was provided to the Jailer when he was elected to office by the County Judge's office. Logan County Fiscal Court had no oversight of the receipts of the commissary account.*
- *Logan County Fiscal Court has no oversight of the inmate account deposits.*
- *Logan County Fiscal Court has no oversight on jail commissary disbursements.*

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

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