



Auditor of Public Accounts Allison Ball

FOR IMMEDIATE RELEASE

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Ball Releases Audit of Owsley County Fiscal Court

FRANKFORT, Ky. – State Auditor Allison Ball has released the audit of the financial statements of the Owsley 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 Owsley 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 fiscal court failed to implement a strong internal control system: The Owsley County Fiscal Court lacks adequate segregation of duties over revenues, disbursements, cash, and payroll. It further did not have controls in place to ensure all funds of the fiscal court were included in the county's financial statements, did not ensure that receipts and disbursements were recorded in the county's financial statements, and did not ensure that those receipts and disbursements were consistently posted to the correct receipt and expenditure account codes. As a result, the Owsley County Fiscal Court's fourth quarter financial report was not an accurate representation of the financial activity.

Due to a weak control environment, lack of adequate segregation of duties, material errors that were identified, and the potential for unidentified material errors due to a lack of strong internal controls over the financial reporting process, we cannot overcome these risks with additional audit procedures; therefore, we are unable to provide the fiscal court with an opinion on whether the financial statement is free from material misstatement. A disclaimer of opinion will be issued.

We recommend the fiscal court implement these internal controls and management oversight over the financial reporting process. Specific examples are listed within the report itself.

County Judge/Executive's Response: Owsley County Fiscal Court has been under new administration since January 2023 and working diligently to fix any and all problems that have been an issue. Owsley County Fiscal Court had a transfer in software program that handles keeping track of all record keeping. Owsley County is continuing to work daily on ensuring that proper actions are taken on segregation of duties over revenues, disbursements, cash, and payroll.

The fiscal court lacks adequate internal controls over disbursements: During fiscal year 2024, the Owsley County Fiscal Court lacked proper controls over purchasing and disbursement procedures. The purchase order system in place did not operate correctly and was not in compliance with DLG guidelines. Several deficiencies were noted including posting expenditures to incorrect account codes, making payments without approval, lacking supporting documentation for purchase, and paying interest and penalties.

We recommend that the fiscal court implement stronger internal controls over the disbursements process including ensuring all expenditures are properly posted to the correct expenditure account codes, supported by an invoice or bill; ensuring all expenditures are valid obligations of the fiscal court; properly document that all claims were presented to the fiscal court prior to

payment; and implementing a functioning purchase order system. We further recommend the county properly account for credit card payments.

County Judge/Executive's Response: Owsley County Fiscal Court has been under new administration since January 2023 and working diligently to fix any and all problems that have been an issue. Owsley County Fiscal Court had a transfer in software program that handles keeping track of all record keeping. Owsley County is continuing to work daily on implementing a stronger internal control over the disbursements process including ensuring all expenditures are supported by an invoice or bill; ensuring all expenditures are valid obligations of the fiscal court; properly document that all claims were presented to the fiscal court prior to payment; ensuring all invoices are paid within thirty business days; and implementing a functioning purchase order system.

The fiscal court lacks adequate internal controls over receipts: The Owsley County Fiscal Court lacks adequate internal controls over receipts. Several deficiencies were noted including missing receipts from the ledger, misclassified receipts, and posting to incorrect account codes.

We recommend the fiscal court implement stronger internal controls over all receipts of the county. All receipts should be recorded in the appropriate account code, deposits should be made daily, daily checkout sheets should be prepared, and an employee not involved in the receipts process should review all receipts. We also recommend any payment for off-site collections from a customer should be accompanied by triplicate receipts, daily checkout sheets should be prepared, daily deposits should be made, and a member of management should review collection activity.

County Judge/Executive's Response: Owsley County Fiscal Court has been under new administration since January 2023 and working diligently to fix any and all problems that have been an issue. Owsley County Fiscal Court had a transfer in software program that handles keeping track of all record keeping. Owsley County is continuing to work daily on implementing a stronger internal control over the receipt process including ensuring all receipt are being coded under the accurate code.

The fiscal court does not have adequate controls over the payroll process: The Owsley County Fiscal Court's internal controls over the payroll process were not operating effectively. Several deficiencies were noted including incorrect hours reflect on a timesheet, one employee receiving incorrect amount, inaccurate record of sick leave balance, posting errors to ledgers, inaccurate payroll reports when compared to actual payments made, late payments to retirement, and lack of reconciliation of Revolving Payroll Account.

We recommend the fiscal court develop and implement strong internal controls over payroll. Taxes and retirement withheld should be paid promptly and reconciled to the underlying payroll reports. Also, the payroll revolving account should be reconciled monthly.

County Judge/Executive's Response: Owsley County Fiscal Court has been under new administration since January 2023 and working diligently to fix any and all problems that have been an issue. Owsley County Fiscal Court had a transfer in software program that handles keeping track of all record keeping. Owsley County is continuing to work daily on ensuring that all employees pay is being coded under the correct code.

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

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