

REPORT OF THE AUDIT OF THE
OWSLEY COUNTY
FISCAL COURT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2014



ADAM H. EDELEN

AUDITOR OF PUBLIC ACCOUNTS
WWW.AUDITOR.KY.GOV

209 ST. CLAIR STREET
FRANKFORT, KENTUCKY 40601
502.564.5841
502.564.2912 FACSIMILE

**REPORT OF THE AUDIT OF THE
OWSLEY COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2014**



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www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE OWSLEY COUNTY FISCAL COURT

June 30, 2014

The Auditor of Public Accounts was engaged to audit the financial activities of Owsley County, Kentucky, for fiscal year ended June 30, 2014 and we have issued a disclaimer of opinion thereon.

Audit work performed indicated lack of internal controls, management override of internal controls, and improper revenue recognition that had a material effect on the financial statement. Based on this, we determined the risk for fraud to be too high and we were unable to apply other procedures to mitigate this fraud risk. The significance of these issues, in the aggregate, prevents us from placing any reliance on the financial activities contained in the Fourth Quarter Report of Owsley County Fiscal Court and from expressing an opinion on the financial statement of Owsley County, Kentucky.

Report Comments:

- 2014-001 Poor Financial Management Practices Have Resulted In A Disclaimed Opinion On The Financial Statement
- 2014-002 The County Does Not Have Adequate Internal Controls Over Cash, Receipts, Disbursements, Payroll, Capital Assets, And Federal Grants
- 2014-003 The County Lacks Adequate Segregation Of Duties For Receipts And Payroll
- 2014-004 Management Overrides Internal Controls Regarding Dual Signatures On Checks
- 2014-005 The County Did Not Record And Deposit Receipts Timely
- 2014-006 The County Failed To Submit Timely, Complete, And Accurate Quarterly Reports To The Department For Local Government
- 2014-007 The County Did Not Follow Proper Procedures For Disbursements
- 2014-008 The County Incurred Late Fees, Penalties, And Overdraft Fees
- 2014-009 Improper Payments Totaling \$7,000 Were Made From The Road Fund
- 2014-010 The County Did Not Comply With Regulations For Local Government Economic Assistance Coal Producing Funds
- 2014-011 The County Did Not Follow Proper Procedures For Payroll
- 2014-012 The County Did Not Calculate FICA And Medicare Withholdings Correctly Or File 941 Forms
- 2014-013 The County Did Not Properly Account For The Revolving Payroll Account
- 2014-014 The County Did Not Prepare, Publish, Or Present An Annual Settlement
- 2014-015 The County Did Not Prepare A Schedule Of Expenditures Of Federal Awards
- 2014-016 The Jailer Is Still Owed \$889 In Salary From Prior Year
- 2014-017 The County Did Not Maintain Adequate Documentation Of Fiscal Court Minutes
- 2014-018 The County Has Not Corrected A Prior Audit Comment Regarding LGEA Funds Expended For Prohibited Purposes
- 2014-019 The County Did Not Maintain Capital Asset Schedules In Accordance With Regulatory Requirements

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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable Cale Turner, Owsley County Judge/Executive
Honorable Ronnie DeBord, Former Owsley County Judge/Executive
Members of the Owsley County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We were engaged to audit the financial activity contained in the Fourth Quarter Report of Owsley County Fiscal Court as of and for the year ended June 30, 2014.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer Of Opinion

Audit work performed indicated lack of internal controls, management override of internal controls, and improper revenue recognition that had a material effect on the financial statement. Based on this, we determined the risk for fraud to be too high and we were unable to apply other procedures to mitigate this fraud risk. The significance of these issues, in the aggregate, prevents us from placing any reliance on the financial activities contained in the Fourth Quarter Report of Owsley County Fiscal Court.

209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817

TELEPHONE 502.564.5841
FACSIMILE 502.564.2912
WWW.AUDITOR.KY.GOV

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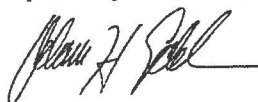


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Other Reporting Required by Government Auditing Standards (Continued)

- 2014-018 The County Has Not Corrected A Prior Audit Comment Regarding LGEA Funds Expended For Prohibited Purposes
- 2014-019 The County Did Not Maintain Capital Asset Schedules In Accordance With Regulatory Requirements

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

May 18, 2015

**OWSLEY COUNTY
FOURTH QUARTER REPORT OF OWSLEY COUNTY FISCAL COURT**

For The Year Ended June 30, 2014

**OWSLEY COUNTY
FOURTH QUARTER REPORT OF OWSLEY COUNTY FISCAL COURT**

For The Year Ended June 30, 2014



Temporary

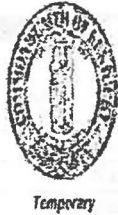
<p>Department for Local Government 1024 Capital Center Drive, Suite 340 Frankfort, Kentucky 40601 (502) 573-2382 or (800) 346-5606</p>
<p>Header Data</p>

095 - Owsley

RONNIE DEBORD TAMMY COMBS 09/10/2014 10/31/2014 DLGL5

[REDACTED]

OWSLEY COUNTY
FOURTH QUARTER REPORT OF OWSLEY COUNTY FISCAL COURT
For The Year Ended June 30, 2014
(Continued)



Temporary

Department for Local Government 1024 Capital Center Drive, Suite 340 Frankfort, Kentucky 40601 (502) 573-2382 or (800) 348-5608
Receipts Data

095 - Owsley

Fund	Dept	Obj	Account	Budget Fiscal	Encumbr	Actual	Balance	Balance
01	4101	0	REAL PROPERTY	\$106,000.00	\$0.00	\$9,585.68	\$100,604.20	\$5,395.80
01	4102	0	PERSONAL PROPERTY	\$1,800.00	\$0.00	\$0.00	\$0.00	\$1,800.00
01	4103	0	MOTOR VEHICLE	\$21,000.00	\$0.00	\$1,891.68	\$22,566.68	(\$1,566.68)
01	4104	0	DELINQUENT PROPERTY	\$4,300.00	\$0.00	\$3,516.15	\$10,624.50	(\$6,324.50)
01	4106	0	TANGIBLE PERSONAL PROPE	\$4,000.00	\$0.00	\$0.00	\$618.06	\$3,381.94
01	4107	0	UNMINED MINERALS	\$0.00	\$0.00	\$0.00	\$451.80	(\$22.50)
01	4112	0	FIRE PROTECTION- FORESTR	\$2,100.00	\$0.00	\$3.38	\$1,012.18	\$1,087.82
01	4130	0	BANK FRANCHISE	\$8,000.00	\$0.00	\$0.00	\$0.00	\$8,000.00
01	4135	0	DEED TRANSFER	\$3,000.00	\$0.00	\$137.75	\$2,582.58	\$417.42
01	4136	0	EXCESS FEES	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
01	4137	0	INSURANCE LICENSE FEE-TAX	\$196,892.00	\$0.00	\$42,770.29	\$171,665.21	\$23,986.79
01	4140	0	TELEPHONE 911 FEE	\$21,000.00	\$0.00	\$16.50	\$17,229.50	\$3,770.50
01	4306	0	SHERIFF and CLERK EXCESS	\$0.00	\$0.00	\$6,972.71	\$6,972.71	(\$6,972.71)
01	4501	0	OMMITTED PROPERTY	\$4,000.00	\$0.00	\$0.00	\$0.00	\$4,000.00
01	4504	0	FEDERAL GRANTS	\$28,000.00	\$0.00	\$0.00	\$44,522.16	(\$16,522.16)
01	4610	0	STATE GRANTS	\$0.00	\$0.00	\$131.53	\$10,131.53	(\$10,131.53)
01	4520	0	ELECTION EXPENSE	\$3,104.00	\$0.00	\$0.00	\$0.00	\$3,104.00
01	4532	0	COURTHOUSE RENTAL	\$80,000.00	\$0.00	\$0.00	\$27,571.81	\$52,428.19
01	4539	0	POLICE INCENTATIVE	\$10,800.00	\$0.00	\$0.00	\$0.00	\$10,800.00
01	4541	0	DEM	\$2,400.00	\$0.00	\$0.00	\$0.00	\$2,400.00
01	4561	0	FISCAL COURT FILING FEES	\$500.00	\$0.00	\$0.00	\$0.00	\$500.00
01	4602	0	SOLID WASTE	\$75,000.00	\$0.00	\$0.00	\$15,388.65	\$59,611.35
01	4705	0	SURPLUS PROPERTY	\$0.00	\$0.00	\$0.00	\$46,400.00	(\$46,400.00)
01	4727	0	REIMBURSEMENT	\$41,323.00	\$0.00	\$7,498.01	\$117,238.28	(\$75,915.28)

OWSLEY COUNTY
FOURTH QUARTER REPORT OF OWSLEY COUNTY FISCAL COURT
For The Year Ended June 30, 2014
(Continued)

Fund	Obj	Subj	Code	Description	Budget	Original	Amendment	Revised	Actual	Revised Date	Under/Over
04	4529	0		LGEA MINERAL TAX	\$8,000.00	\$0.00	\$0.00	\$1,121.38	\$3,355.02		\$4,644.98
04	4542	0		DES REIMBURSEMENT	\$10,000.00	\$0.00	\$0.00	\$0.00	\$4,997.75		\$5,992.25
04	4728	0		LGEA DONATIONS	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		\$0.00
04	4731	0		MISC REVENUE	\$0.00	\$0.00	\$0.00	\$93.45	\$117.14		(\$117.14)
04	4801	0		INTEREST	\$100.00	\$0.00	\$0.00	\$1.22	\$13.27		\$86.73
04	4802	0		INTEREST ON CD	\$0.00	\$0.00	\$0.00	\$0.00	\$63.71		(\$63.71)
04	4901	0		PRIOR YEAR CARRYOVER	\$5,000.00	\$0.00	\$0.00	\$0.00	\$40,086.58		(\$35,086.58)
04	4909	0		TRANSFER OUT	(\$58,818.53)	\$0.00	\$0.00	\$0.00	(\$68,221.67)		\$9,603.04
04	4910	0		TRANSFER IN	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		\$0.00
13	4602	0		SOLID WASTE COLLECTIONS	\$200,000.00	\$0.00	\$0.00	\$18,806.65	\$225,026.88		\$54,973.02
13	4713	0		RECYCLING	\$10,000.00	\$0.00	\$0.00	\$0.00	\$0.00		\$10,000.00
13	4731	0		MISC REVENUE	\$2,400.00	\$0.00	\$0.00	\$0.00	\$2,353.78		\$46.22
13	4801	0		INTEREST	\$200.00	\$0.00	\$0.00	\$22.66	\$177.29		\$22.71
13	4802	0		INTEREST ON CD	\$0.00	\$0.00	\$0.00	\$0.00	\$25.20		(\$25.20)
13	4901	0		PRIOR YEAR SURPLUS	\$45,000.00	\$0.00	\$0.00	\$0.00	\$57,122.22		(\$12,122.22)
13	4909	0		TRANSFERS OUT	(\$85,000.00)	\$0.00	\$0.00	(\$20,000.00)	(\$54,474.77)		(\$30,525.23)
13	4910	0		TRANSFERS IN	\$133,209.80	\$0.00	\$0.00	\$0.00	\$0.00		\$133,209.80
14	4711	0		RENTAL LEASES	\$10,800.00	\$0.00	\$0.00	\$0.00	\$0.00		\$10,800.00
14	4731	0		MISC. REVENUE	\$5,000.00	\$0.00	\$0.00	\$0.00	\$338.58		\$4,661.42
14	4801	0		INTEREST	\$100.00	\$0.00	\$0.00	\$0.06	\$0.66		\$99.34
14	4901	0		PRIOR YEAR SURPLUS	\$4,000.00	\$0.00	\$0.00	\$0.00	\$1,342.64		\$2,657.36
14	4910	0		TRANSFERS IN	\$480,500.00	\$0.00	\$0.00	\$0.00	\$0.00		\$480,500.00
31	4508	0		LGED GRANT	\$687,000.00	\$0.00	\$0.00	\$0.00	\$11,265.36		\$675,734.64
31	4705	0		LGEDF SURPLUS REAL PROPE	\$0.00	\$0.00	\$0.00	\$0.00	\$23,175.00		(\$23,175.00)
31	4901	0		PRIOR YEAR SURPLUS	\$81.98	\$0.00	\$0.00	\$0.00	\$8,485.24		(\$8,403.26)
31	4909	0		TRANSFER OUT	(\$197,000.00)	\$0.00	\$0.00	\$0.00	\$0.00		(\$197,000.00)
31	4910	0		TRANSFERS IN	\$0.00	\$0.00	\$0.00	\$0.00	\$4,100.00		(\$4,100.00)
97	4504	0		FEDERAL GRANT	\$386,000.00	\$0.00	\$0.00	\$0.00	\$0.00		\$386,000.00
97	4909	0		TRANSFERS OUT (PARK CONS	(\$386,000.00)	\$0.00	\$0.00	\$0.00	\$0.00		(\$386,000.00)
TOTALS					\$3,949,927.17	\$0.00	\$0.00	\$399,735.17	\$3,296,362.31		\$653,994.16

Monday, November 17, 2014

OWSLEY COUNTY
FOURTH QUARTER REPORT OF OWSLEY COUNTY FISCAL COURT
For The Year Ended June 30, 2014
(Continued)

Division	Program	Sub-Program	Description	Budget Original	Amended	Actual	Variance	Balance		
01	5080	175	0	CUSTODIAN	\$20,384.00	\$0.00	\$705.52	\$21,089.52	\$21,089.52	\$0.00
01	5080	571	0	COURTHOUSE RENEWALS and	\$46,000.00	\$0.00	(\$32,879.64)	\$7,320.36	\$7,320.36	\$0.00
01	5080	578	0	COURTHOUSE UTILITIES	\$37,600.00	\$0.00	(\$2,217.19)	\$34,782.81	\$34,782.81	\$0.00
01	5080	582	0	COURTHOUSE ELECTRIC	\$0.00	\$0.00	\$3,879.46	\$3,879.46	\$3,879.46	\$0.00
01	5101	101	0	COUNTY JUDGE EXECUTIVE	\$69,115.00	\$0.00	\$0.00	\$69,115.00	\$67,229.56	\$1,885.44
01	5140	802	0	AMBULANCE	\$10,189.49	\$0.00	\$10,714.00	\$20,883.49	\$20,883.49	\$0.00
01	5145	107	0	911 COORDINATOR	\$9,944.00	\$0.00	\$0.00	\$8,944.00	\$8,943.64	\$0.16
01	5150	902	0	FIRE PROTECTION	\$2,100.00	\$0.00	\$0.00	\$2,100.00	\$2,068.00	\$44.00
01	5212	102	0	SOLID WASTE COORDINATOR	\$15,100.00	\$0.00	\$603.82	\$15,703.82	\$15,703.82	\$0.00
01	5212	178	0	SOLID WASTE CLEANUP PERS	\$5,000.00	\$0.00	(\$5,000.00)	\$0.00	\$0.00	\$0.00
01	5212	468	0	SOLID WASTE EXPENSE	\$75,000.00	\$0.00	(\$36,806.16)	\$38,093.84	\$31,648.58	\$6,453.26
01	7700	802	0	VOTING MACHINES	\$100.00	\$0.00	\$0.00	\$100.00	\$0.00	\$100.00
01	9100	307	0	AUDITS	\$20,000.00	\$0.00	\$12,005.57	\$32,005.57	\$32,005.57	\$0.00
01	9100	521	0	INSURANCE	\$25,000.00	\$0.00	(\$4,346.46)	\$20,653.55	\$20,653.55	\$0.00
01	9100	531	0	OFFICIAL BONDS	\$800.00	\$0.00	\$1,350.00	\$2,150.00	\$2,120.49	\$29.51
01	9100	553	0	KRADD	\$3,655.00	\$0.00	\$0.00	\$3,655.00	\$3,598.00	\$56.00
01	9100	555	0	KACO	\$3,000.00	\$0.00	\$600.00	\$3,600.00	\$3,548.92	\$51.08
01	9100	599	0	MISC	\$1,000.00	\$0.00	\$18,073.84	\$19,073.84	\$19,073.84	\$0.00
01	9200	999	0	RESERVE FOR TRANSFER	\$9,382.41	\$0.00	(\$9,382.41)	\$0.00	\$0.00	\$0.00
01	9400	201	0	EMPLOYER SHARE SOCIAL SE	\$27,055.36	\$0.00	\$4,850.89	\$31,706.05	\$31,706.05	\$0.00
01	9400	202	0	EMPLOYER SHARE RETIREME	\$68,000.00	\$0.00	\$10,214.65	\$78,214.65	\$78,214.65	\$0.00
01	9400	208	0	UNEMPLOYMENT INSURANCE	\$6,000.00	\$0.00	(\$4,984.45)	\$1,015.55	\$239.81	\$775.74
01	9400	209	0	WORKERS COMP	\$27,000.00	\$0.00	(\$10,214.65)	\$16,785.35	\$13,073.34	\$3,712.01
01	9400	212	0	TRAINING FRINGE BENEFITS	\$7,640.00	\$0.00	\$291.00	\$7,931.00	\$7,930.75	\$0.25
01	9500	507	0	CENTERNET DONATION	\$1,000.00	\$0.00	\$0.00	\$1,000.00	\$0.00	\$1,000.00
02	5025	101	0	MAGISTRATE SALARY and EXP	\$34,996.00	\$0.00	\$0.00	\$34,996.00	\$33,696.00	\$1,300.00
02	6015	143	0	ROAD WORKERS	\$238,128.00	\$0.00	\$0.00	\$208,128.00	\$155,876.16	\$50,251.84
02	6015	447	0	EMERGENCY ROAD AID	\$24,699.81	\$0.00	\$24,023.39	\$48,720.00	\$48,720.00	\$0.00
02	6103	102	0	ROAD SUPERVISOR	\$31,262.40	\$0.00	\$0.00	\$31,262.40	\$30,339.72	\$922.68
02	6103	573	0	OFFICE OF ROAD SUPERVISO	\$0.00	\$0.00	\$261.51	\$261.51	\$261.51	\$0.00
02	6103	578	0	OFFICE OF RD. SUPERVISOR	\$0.00	\$0.00	\$2,172.00	\$2,172.00	\$2,071.29	\$100.71
02	6105	179	0	TEMP LABOR	\$0.00	\$0.00	\$9,000.00	\$9,000.00	\$8,792.00	\$208.00
02	6105	312	0	BRIDGES	\$90,000.00	\$0.00	(\$89,000.00)	\$1,000.00	\$0.00	\$1,000.00
02	6105	336	0	MAINTENANCE and REPAIRS	\$60,000.00	\$0.00	\$35,508.97	\$95,508.97	\$95,508.97	\$0.00

OWSLEY COUNTY
FOURTH QUARTER REPORT OF OWSLEY COUNTY FISCAL COURT
For The Year Ended June 30, 2014
(Continued)

Fund	Major	Minor	Sub	Description	Budget Original	Amendment	Transfers	Total Available	Claims Allowed	Free Balance
04	5135	420	0	CERT	\$6,000.00	\$0.00	\$0.00	\$6,000.00	\$0.00	\$6,000.00
04	5135	445	0	DES SUPPLIES	\$12,000.00	\$0.00	(\$920.00)	\$11,080.00	\$98.85	\$10,981.05
04	5135	576	0	TRAVEL	\$2,800.00	\$0.00	\$0.00	\$2,800.00	\$646.70	\$1,953.30
04	5135	578	0	UTILITIES	\$8,900.00	\$0.00	\$0.00	\$8,900.00	\$7,222.57	\$1,677.43
04	5135	739	0	EQUIPMENT	\$500.00	\$0.00	\$0.00	\$500.00	\$0.00	\$500.00
04	5175	179	0	TEMP. PART TIME PERSONEL	\$18,720.00	\$0.00	\$10,000.00	\$28,720.00	\$28,711.02	\$8.98
04	5175	903	0	PUBLIC ADVOCATE	\$4,200.00	\$0.00	\$720.00	\$4,920.00	\$1,538.00	\$3,382.00
04	5205	102	0	DOG WARDEN	\$7,800.00	\$0.00	\$0.00	\$7,800.00	\$3,685.00	\$4,115.00
04	5305	507	0	SENIOR CITIZENS CONTRIBUT	\$5,400.00	\$0.00	\$5,327.53	\$10,727.53	\$10,727.53	\$0.00
04	6100	302	0	LGEA ADVERTISING	\$4,000.00	\$0.00	\$0.00	\$4,000.00	\$0.00	\$4,000.00
04	6200	999	0	RESERVE FOR TRANSFER	\$20,000.00	\$0.00	(\$15,000.00)	\$5,000.00	\$0.00	\$5,000.00
04	9400	201	0	EMPLOYERS SHARE SOCIAL S	\$4,500.00	\$0.00	\$0.00	\$4,500.00	\$3,435.76	\$1,064.22
04	9400	201	0	EMPLOYERS SHARE RETIREM	\$9,500.00	\$0.00	\$0.00	\$9,500.00	\$6,406.85	\$3,093.05
13	5211	336	0	TIPPPING FEES	\$51,000.00	\$0.00	\$0.00	\$51,000.00	\$50,476.46	\$523.54
13	5211	431	0	REPAIRS	\$10,000.00	\$0.00	\$0.00	\$10,000.00	\$1,200.00	\$8,800.00
13	5212	441	0	SOLID WASTE EQUIPMENT LG	\$100,000.00	\$0.00	\$0.00	\$100,000.00	\$0.00	\$100,000.00
13	5212	499	0	SOLID WASTE OTHER SUPPLI	\$0.00	\$0.00	\$1,449.90	\$1,449.90	\$1,449.90	\$0.00
13	5212	563	0	SOLID WASTE POSTAL CHARG	\$0.00	\$0.00	\$330.48	\$330.48	\$330.48	\$0.00
13	5215	149	0	SALARIES	\$71,400.00	\$0.00	\$6,128.05	\$77,528.05	\$77,528.05	\$0.00
13	5215	441	0	MACHINERY AND EQUIPMEN	\$15,000.00	\$0.00	\$0.00	\$15,000.00	\$250.00	\$14,750.00
13	5215	445	0	SOLID WASTE OFFICE SUPPLI	\$4,000.00	\$0.00	\$0.00	\$4,000.00	\$1,980.00	\$2,020.00
13	5215	499	0	MATERIALS	\$1,000.00	\$0.00	\$0.00	\$1,000.00	\$335.92	\$664.08
13	6100	415	0	FUEL	\$30,000.00	\$0.00	(\$7,125.53)	\$22,874.47	\$0.00	\$22,874.47
13	7500	602	0	PRINCIPAL ON LEASE	\$14,000.00	\$0.00	\$0.00	\$14,000.00	\$5,331.79	\$8,668.21
13	7500	606	0	INTEREST ON LEASE	\$3,851.52	\$0.00	\$15,000.00	\$18,851.52	\$11,583.67	\$7,267.85
13	8000	503	0	BANK CHARGES	\$0.00	\$0.00	\$49.27	\$49.27	\$49.27	\$0.00
13	9100	521	0	INSURANCE	\$31,000.00	\$0.00	\$0.00	\$31,000.00	\$22,155.06	\$8,844.94
13	9100	599	0	MISC	\$1,000.00	\$0.00	\$0.00	\$1,000.00	\$0.00	\$1,000.00
13	9200	999	0	RESERVE FOR TRANSFER	\$33,558.28	\$0.00	(\$16,479.75)	\$17,078.53	\$0.00	\$17,078.53
13	9400	201	0	EMPLOYERS SHARE SOCIAL S	\$6,000.00	\$0.00	\$0.00	\$6,000.00	\$5,830.94	\$169.06
13	9400	202	0	EMPLOYERS SHARE RETIREM	\$14,000.00	\$0.00	\$647.58	\$14,647.58	\$14,647.58	\$0.00
14	5401	715	0	PARK CONSTRUCTION	\$486,000.00	\$0.00	\$0.00	\$486,000.00	\$0.00	\$486,000.00
14	5405	423	0	SUPPLIES-FOOD PREPARATIO	\$8,500.00	\$0.00	\$0.00	\$8,500.00	\$0.00	\$8,500.00
14	8001	580	0	WATER and SEWER	\$0.00	\$0.00	\$58.00	\$58.00	\$55.62	\$2.38

OWSLEY COUNTY
FOURTH QUARTER REPORT OF OWSLEY COUNTY FISCAL COURT
For The Year Ended June 30, 2014
(Continued)



Department for Local Government
 1024 Capital Center Drive, Suite 340
 Frankfort, Kentucky 40601
 (502) 573-2382 or (800) 346-5606

Liabilities Data

095 - Owsley

Fund (Mo)	MM	Subf	Description	Total	Balance	Term	Rate	Total	Res. Earn.	Next	Issued	Information	Outstand.	Final	Payments Due
00						6		\$105,973.45							
PRI	0	0	GARBAGE TRUCK-	\$88,000.00	\$48,000.00		00.0459	\$0.00		07/20/2014					
INT	0	0	DUMPSTERS	\$17,973.45	\$187.18	05/26/2009		\$48,187.18		05/20/2015					
00						5		\$41,102.98							
PRI	0	0	GARBAGE TRUCK-	\$35,000.00	\$10,000.00		00.0500	\$0.00		07/20/2014					
INT	0	0	DUMPSTERS	\$6,102.98	\$52.57	03/29/2010		\$10,052.57		11/20/2015					
TOTALS-PRI				\$123,000.00	\$58,000.00			\$147,076.43	\$0.00						
TOTALS-INT				\$24,076.43	\$239.85			\$58,239.85							

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Cale Turner, Owsley County Judge/Executive
The Honorable Ronnie DeBord, Former Owsley County Judge/Executive
Members of the Owsley County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

Independent Auditor's Report

We were engaged to audit, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States, the financial activity contained in the Fourth Quarter Report of Owsley County Fiscal Court, as of and for the year ended June 30, 2014 and have issued our report thereon dated May 18, 2015. Our report disclaims an opinion on the Fourth Quarter Report of Owsley County Fiscal Court because we were unable to place reliance on the accuracy, validity, and completeness of the financial activity it reported. Additionally, audit risk is at an unacceptable level and we were unable to apply other procedures to mitigate this risk.

Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statement, we considered the Owsley County Fiscal Court's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Owsley County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Owsley County Fiscal Court's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as items 2014-001, 2014-002, 2014-003, 2014-004, 2014-005, 2014-006, 2014-007, 2014-008, and 2014-011 to be material weaknesses.



**OWSLEY COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2014

OWSLEY COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2014

AUDIT FINDINGS:

2014-001 Poor Financial Management Practices Have Resulted In A Disclaimed Opinion On The Financial Statement

Numerous deficiencies were noted in the county's internal control structure and in financial management practices which made it impossible for auditors to issue an opinion on the financial statement. Management overrode established control procedures and failed to adhere to sufficient financial management procedures, resulting in numerous and pervasive audit comments:

- The county does not have adequate internal controls (See Comment 2014-002).
- The county lacks adequate segregation of duties for receipts and payroll (See Comment 2014-003).
- Management overrode internal controls regarding dual signatures on checks (See Comment 2014-004).
- The former Treasurer did not record and deposit receipts timely (See Comment 2014-005).
- The former Treasurer failed to submit timely, complete, and accurate quarterly reports (See Comment 2014-006).
- The county did not follow proper procedures for disbursements (See Comment 2014-007).
- The county incurred late fees, penalties, and overdraft fees (See Comment 2014-008).
- The county did not follow proper procedures for payroll (See Comment 2014-011).
- The former treasurer did not prepare, publish, or present an annual settlement (See Comment 2014-014).
- The county did not prepare a Schedule of Expenditures of Federal Awards (See Comment 2014-015).
- The county did not maintain adequate documentation of fiscal court meetings (See Comment 2014-016).

These internal control deficiencies and non-compliance issues affect the entity and the internal control structure as a whole. These issues have severely limited the entity's ability to provide financial information that is complete, accurate, adequately documented, and free of material misstatement. We recommend the fiscal court review the deficiencies and noncompliance issues as noted and take appropriate action to correct each finding.

Former County Judge/Executive's Response: No response.

**OWSLEY COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2014
(Continued)**

AUDIT FINDINGS: (CONTINUED)

2014-003 The County Lacks Adequate Segregation Of Duties For Receipts And Payroll

The county lacks adequate segregation of duties for receipts and payroll. During receipts testing, we noted the former Treasurer received all monies (except Solid Waste receipts), made deposits, posted to the receipts ledger, and prepared bank reconciliations. In order for adequate segregation of duties to occur, the functions of receiving, posting, and reconciling receipts should be delegated to separate individuals when possible. Adequate segregation of duties increases the ability of the entity to recognize and correct errors in a timely manner. The receipt issues noted in Comment 2014-005 could have been prevented, detected, and/or corrected timely had proper controls and segregation of duties existed.

Likewise, we noted inadequate segregation of duties for payroll. The former Treasurer was responsible for maintaining timesheets, entering payroll information into the computer system for processing, posting to the payroll ledgers, transferring funds to the revolving payroll account, preparing pay checks, preparing state and local withholding reports, and reconciling the payroll account. By delegating all these duties to the same individual, it increases the risk that fraud or errors will occur and go undetected for a significant time. The payroll issues noted in Comments 2014-011, 2014-012, and 2014-013 could have been prevented, detected, and/or corrected timely had proper controls and segregation of duties existed.

In order to strengthen internal controls, we recommend the county adequately segregate duties in receipts and payroll or implement other controls to compensate for these weaknesses. For example, designate an individual to review the receipts and payroll ledgers, reconciliations, and reports. This individual can document their review by initialing the documents that were reviewed.

Former County Judge/Executive's Response: No response.

2014-004 Management Overrides Internal Controls Regarding Dual Signatures On Checks

During disbursement testing, auditors questioned numerous cancelled checks as to whether they contained the authentic signature of the former County Judge/Executive. It was revealed to auditors that the former County Judge/Executive regularly allowed the former Treasurer to sign his name on checks. In fact, our testing calls into question 210 cancelled checks totaling \$667,843 on which it appears the former Treasurer had signed the former County Judge/Executive's name. In addition, of the checks we noted that may not have contained the former County Judge/Executive's authentic signature, 32 of them totaling \$91,648 were never approved by the fiscal court, meaning these transactions were processed without any oversight or approval besides that of the former Treasurer. Furthermore, we noted 34 payroll checks that did not appear to contain the former County Judge/Executive's authentic signature and all but 11 of these were for the same three employees each pay period. It appears the former Treasurer signed the former County Judge/Executive's name to these checks so that these employees could cash their paychecks early, as we also noted these checks always cleared the bank a day or two before the actual pay day.

OWSLEY COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2014
(Continued)

AUDIT FINDINGS: (CONTINUED)

2014-006 The County Failed To Submit Timely, Complete, And Accurate Quarterly Reports To The Department For Local Government

The Uniform System of Accounts requires counties to submit quarterly reports to their regulatory agency, the Department for Local Government (DLG). These reports should include all funds of the county, should include all activity within the funds, and should agree to the county's reconciled cash balances. The quarterly report for Owsley County was not filed timely with DLG. In addition to the report not being filed timely, we noted the following:

- Disbursement totals listed in the Summary section for the General and Road Funds were incorrect.
- Outstanding lease interest balances were incorrect.
- Cash balances listed for the General, Road, LGEA, and Solid Waste funds were not correct.
- Emergency Planning Fund activity was not included on the report at all.

Timely, complete, and accurate quarterly reports are essential for the regulatory agency to be informed of the financial activity of a county. Quarterly reports also provide valuable information to the fiscal court regarding receipts, disbursements, and cash balances and are an essential component of sound financial management practices. Without this valuable information, the fiscal court's decision making capabilities may be adversely affected. We recommend the Treasurer prepare timely, complete, and accurate quarterly reports to submit to the Department for Local Government as required.

Former County Judge/Executive's Response: No response.

2014-007 The County Did Not Follow Proper Procedures For Disbursements

Numerous deficiencies were noted in the county's internal control structure as it relates to disbursements. Procedures regarding the documentation, preparation, and authorization of disbursements were not adequate for the 73 transactions tested and resulted in the following findings:

- 29 instances, totaling \$241,663, were noted in which proper documentation (i.e. invoices) for disbursements could not be located.
- 22 instances, totaling \$308,066 were noted in which the county did not properly approve the transaction as documented on the claims list.
- 3 instances, totaling \$22,220, were noted in which the county did not pay the vendor within 30 days of receipt of invoice.
- 26 instances were noted in which the disbursement was not recorded in the proper account code.
- Auditors were not provided with any information or documentation related to proper bidding procedures.

OWSLEY COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2014
(Continued)

AUDIT FINDINGS: (CONTINUED)

2014-008 The County Incurred Late Fees, Penalties, And Overdraft Fees (Continued)

Poor financial management practices and weak internal controls cause errors to occur and go undetected for a significant time period and result in financial ramifications such as these. Additionally, penalties and interest are unnecessary expenses that are avoidable and a wasteful use of taxpayer resources. We recommend the fiscal court ensure that all withholding and matching payments are made timely, ensure all debt payments are made timely, and ensure all bank accounts have sufficient cash balances to cover any checks in order to avoid unnecessary costs in the future.

Former County Judge/Executive's Response: No response.

2014-009 Improper Payments Totaling \$7,000 Were Made From The Road Fund

During fiscal year 2014, the county paid the Sheriff's office a total of \$7,000 out of the Road Fund for transporting prisoners. Road monies are restricted by KRS 177.320. Disbursements from the road fund should be for secondary and rural road maintenance, repairs, and related activities. The county is allowed to pay the Sheriff for transporting inmates; however, these payments should be made from the Jail Fund, the General Fund, or the LGEA Fund. It is not appropriate to pay the Sheriff's office out of restricted road monies. By doing this, the county has reduced the amount of funds available to spend on road repairs and maintenance and has created a situation in which another fund must pay back the improper payments. We recommend the fiscal court reimburse the Road Fund \$7,000 from the Jail Fund, the General Fund, or the LGEA Fund and ensure that only proper payments for allowable activities are made in the future from restricted Road Fund monies.

Former County Judge/Executive's Response: No response.

2014-010 The County Did Not Comply With Regulations For Local Government Economic Assistance Coal Producing Funds

The county did not comply with KRS 42.455 regarding coal producing funds received through the Local Government Economic Assistance (LGEA) program. KRS 42.455 states the 30% of all coal producing funds received must be spent on the county coal haul road system. The county received \$144,227 in coal producing funds, of which, \$43,268 was required to be spent on the coal haul road system. The county only spent \$19,122 on road repairs/maintenance. The additional \$24,146 that was restricted for coal haul road system disbursements was expended on unallowable categories. Failure to spend the allotted amount as designated is a direct violation of KRS 42.455. We also noted the county transferred LGEA funds to the General Fund. While there are allowable disbursement categories in the General Fund, we would caution management that this practice increases the risk that restricted LGEA funds will be spent on unallowable categories. We recommend the fiscal court monitor the amounts received and expended in the LGEA fund to ensure compliance with LGEA regulations in the future.

Former County Judge/Executive's Response: No response.

OWSLEY COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2014
(Continued)

AUDIT FINDINGS: (CONTINUED)

2014-011 The County Did Not Follow Proper Procedures For Payroll (Continued)

We recommend the county do the following regarding payroll to ensure compliance with applicable statutes and to ensure proper payroll/timekeeping practices and controls are in place:

- Approve a salary schedule listing each employee's rate of pay.
- Calculate gross pay in accordance with the approved pay schedule.
- Maintain properly executed timesheets for all non-exempt employees.
- Ensure proper time and a half/overtime payments are made in accordance with the county administrative code and state and federal regulations.
- Ensure that leave time used and/or earned agrees to all corresponding documentation (timesheets, payroll records, pay stubs, etc.).

Former County Judge/Executive's Response: No response.

2014-012 The County Did Not Calculate FICA And Medicare Withholdings Correctly Or File 941 Forms

The County did not calculate FICA and Medicare withholdings correctly. FICA and Medicare withholdings are based on gross wages less any allowable retirement contribution and any other allowable pre-tax items. The Treasurer based the deduction calculation on gross wages only and did not account for County Employees Retirement System (CERS) contributions. Internal Revenue Service (IRS) Publication 15 outlines employment taxes and the federal guidelines employers are to follow regarding calculations of FICA and Medicare taxes. This miscalculation for FICA and Medicare withholdings results in employees paying more FICA and Medicare tax than necessary, thus, decreasing their net pay. Furthermore, this miscalculation increased the amount of the county's required matching funds causing the county to remit more matching funds than necessary.

In addition, we noted the county did not file Form 941 with the Internal Revenue Service for the first and second quarters of 2014 as required by IRS Publication 15. Form 941 is used to summarize and reconcile all FICA, Medicare, and Federal tax withholdings based on the entity's payroll records. The failure to file these forms will likely result in penalties from the IRS and is indicative of improper payroll procedures and poor financial management practices. We recommend the county immediately correct the FICA and Medicare calculations for all employees. In addition, we recommend the county contact the IRS to determine how to get the 941 forms up to date and how to settle the resulting penalties/interest associated with the failure to file these forms. Finally, we recommend the Treasurer ensure that FICA and Medicare deductions are calculated correctly and ensure complete and accurate 941 forms are filed quarterly in the future.

Former County Judge/Executive's Response: No response.

OWSLEY COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2014
(Continued)

AUDIT FINDINGS: (CONTINUED)

2014-015 The County Did Not Prepare A Schedule Of Expenditures Of Federal Awards

The county did not prepare a Schedule of Expenditures of Federal Awards (SEFA). A SEFA report is the first step in determining if the county is required to have an OMB Circular A-133 audit, also known as a federal "Single Audit". The Department for Local Government now requires a SEFA schedule to be filed with the county's 4th Quarter Report. The county's failure to monitor, track, and report federal grants could lead to improper financial reporting as well as failure to comply with OMB Circular A-133 requirements. Additionally, this could impact future federal grant awards. We recommend the county immediately implement procedures to monitor, track, and report federal grants in order to comply with federal and state regulations.

Former County Judge/Executive's Response: No response.

2014-016 The Jailer Is Still Owed \$889 In Salary From Prior Year

During our review of payroll, we noted the Jailer was not paid the \$889 as determined by last year's audit. In accordance with the salary schedule obtained by the Auditor for calendar year 2012, the Jailer was underpaid in the amount of \$889. According to this schedule, the Jailer's compensation for calendar year 2012 should have been \$23,591, but the Jailer was paid \$22,702, underpaying the Jailer \$889. We recommend that the fiscal court pay the Jailer \$889 for underpayment of salary for calendar year 2012.

Former County Judge/Executive's Response: No response.

2014-017 The County Did Not Maintain Adequate Documentation Of Fiscal Court Meetings

During our review of the Fiscal Court minutes, we noted that no minutes of meetings were available for the audit period. The last month indexed and filed in the fiscal court minutes book and made available for public inspection at the county clerk's office was June 2013. KRS 67.100 outlines the requirements for fiscal court records regarding minutes of meetings and requires the minutes to be indexed and filed within 30 days of any action or ordinance. Without complete and accurate minutes available, interested parties are not fully informed of the actions taken by the fiscal court.

We recommend that the Fiscal Court require the Fiscal Court Clerk to keep up to date minutes indexed and filed in the fiscal court minutes book so they're available for public inspection at the County Clerk's office.

Former County Judge/Executive's Response: No response.

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**

OWSLEY COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2014**

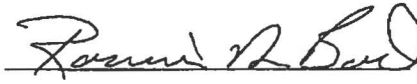
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

OWSLEY COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2014

The Owsley County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance and Development Programs was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in cursive script, appearing to read "Robert R. Burt", written over a horizontal line.

County Judge/Executive

A handwritten signature in cursive script, appearing to read "Amy Conley", written over a horizontal line.

County Treasurer

