



Auditor of Public Accounts
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FOR IMMEDIATE RELEASE

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Edelen Releases Audit of Martin County Fiscal Court

FRANKFORT, Ky. – State Auditor Adam Edelen has released the audit of the financial statements of the Martin County Fiscal Court for the fiscal year ended June 30, 2013. State law requires annual audits of county fiscal courts.

Recent changes in auditing standards require the auditor's letter to communicate whether the financial statement presents fairly the receipts, disbursements and changes in cash and cash equivalents of the Martin County Fiscal Court in accordance with generally accepted accounting principles in the United States. The report found that the financial statement of the Fiscal Court 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:

Cash transfers should be approved by the Fiscal Court. The Martin County Fiscal Court does not approve all cash transfers between funds. When a cash transfer is approved, it is not set for the actual transfer amount. As stated in the County Budget Preparation and State Local Finance Officer Policy Manual, all transfers require a court order. We recommend the fiscal court approve all transfers in the future and provide documentation within the minutes. We further recommend that the Treasurer seek approval from the Fiscal Court prior to performing transfers.

County Judge/Executive's response: In the past, the Martin County Fiscal Court approved budgeted cash transfers with the annual budget; all non budgeted cash transfers were individually approved by Court order. In the future, the Court will approve all cash transfers, even those that are budgeted.

Martin County Fiscal Court should strengthen internal controls over the financial reporting of liabilities and debt service. The June 30, 2013 outstanding debt balances reported on the 4th Quarter Financial Report did not agree to the actual debt balances confirmed with lenders. Strong internal controls over outstanding debt and liabilities are necessary to ensure accurate financial reporting. Therefore, we recommend the county strengthen internal controls over the reporting of debt service payments and outstanding balances. Internal controls such as comparisons of payment amounts and outstanding balances to amortization and payment schedules should be made regularly. We also recommend the county consult with its lenders to verify outstanding debt balances are in agreement. Such practices will strengthen internal controls over liabilities and debt service and ensure that proper amounts are reported.

County Judge/Executive's response: In the future, the Court will confirm and reconcile debt balances with lenders.

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

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