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Edelen Releases Audit of Christian County Fiscal Court

FRANKFORT, Ky. – State Auditor Adam Edelen has released the audit of the financial statements of the Christian County Fiscal Court for the fiscal year ended June 30, 2014. 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 Christian 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:

Internal controls over disbursements/credit cards should be strengthened. During our testing of disbursements and credit cards, we noted the following deficiencies:

- Nine credit transactions that did not have adequate supporting documentation (itemized invoices).
- One item that was missing an invoice.
- Three disbursements that were not paid within 30 days.
- Credit cards were not always paid in full each month, resulting in finance charges/late fees of $110.11.

- There were multiple transactions for travel which did not include an explanation of why the travel occurred and individuals participating in the meal, if applicable.

Good internal controls dictate that adequate supporting documentation be maintained for all disbursements and credit card transactions. All vendor invoices and receipts should be maintained including any additional supporting documentation and agreed to the corresponding purchase order and reports.

These deficiencies over disbursements and credit card transactions occurred because the Fiscal Court's lack of internal controls and oversight.

Failing to maintain adequate documentation can result in paying invoices for goods or services that were not provided to the County. Also, by not paying invoices within 30 days or paying credit cards in full each month the Fiscal Court could be assessed penalties or finance charges.

We recommend that the County develop internal procedures to ensure that disbursements and credit card transactions are properly supported.

County Judge/Executive Steve Tribble's response: Christian County has implemented additional procedures to monitor credit card usage.

The Fiscal Court should properly utilize the purchase order system. The Department for Local Government (DLG) Budget Manual states "purchases shall not be made prior to approval by the County Judge/Executive (or designee) or department head. Purchase requests shall indicate proper appropriation account number to which the claim will be posted. Purchase requests shall not be approved in an amount that exceeds the available line item appropriation unless the necessary and appropriate transfers have been made." In addition, a purchase order journal should contain a "daily, chronological listing of all purchase orders issued. The listing is the book of original entry for all county purchases. The journal should indicate the purchase order number, issue approved by, appropriation code to where the payment will be posted, vendor name, date invoice is received, amount of invoice, date claim was reviewed by Fiscal Court, date paid and amount paid."

During our tested of disbursements, it was noted that the purchase order system was not being properly utilized in accordance with DLG guidelines. The Jail, Animal Shelter, and Courthouse Maintenance will randomly notify the Finance Officer to obtain a purchase order, but even then the purchase order is not being properly filled out. All other departments are not requesting a purchase order prior to making a purchase or requesting a service be performed.

Failure to maintain appropriate records for purchase orders could result in incorrect amounts being paid or not having adequate funds or sufficient budget appropriations available. We recommend that the Fiscal Court require purchase orders be obtained prior to items being ordered or services received to determine if adequate funds and budget appropriation are available for the purchase. Purchase orders should be completely filled out at the time of issuance. Additionally, we recommend that the Fiscal Court properly utilize the purchase order system in order to comply with the DLG Budget Manual requirements.

County Judge/Executive Steve Tribble's response: Christian County will make every effort to strengthen the purchase order system.

The audit report can be found on the auditor's website.

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