



Auditor of Public Accounts
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Edelen Releases Audit of Franklin County Fiscal Court

FRANKFORT, Ky. – State Auditor Adam Edelen has released the audit of the financial statements of the Franklin 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 Franklin 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 comment:

The Fiscal Court has a lack of segregation of duties over receipts and reconciliations. During our review of controls over receipts, we noted that the County has a lack of segregation of duties over receipts and bank reconciliations because one employee prepares deposits, takes them to the bank, records receipts in the receipts ledger, prepares reports, and prepares the bank reconciliations. Adequate segregation of duties would prevent the same person from having a significant role in these incompatible functions. To adequately protect employees in the normal course of performing their assigned functions and to protect the County against inaccurate financial reporting, we recommend the County separate the duties in preparing and depositing receipts, recording transactions, preparing reports and bank reconciliations. If these duties cannot

be segregated, strong oversight should be provided over the employee responsible. The employee providing oversight should document oversight procedures by initialing source documents.

County Judge/Executive Huston Wells' response: We will take steps to implement procedures for stronger oversight. We will have the Administrative Assistant prepare all deposits. The Deputy Judge or designee will initial off on the deposits and review journal entries monthly.

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

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