



Auditor of Public Accounts
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FOR IMMEDIATE RELEASE

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Edelen Releases Audit of Henry County Fiscal Court

FRANKFORT, Ky. – State Auditor Adam Edelen has released the audit of the financial statements of the Henry 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 Henry 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 County has a lack of segregation of duties related to receipts and payroll. We noted during the review of internal controls related to receipts, that there is a lack of segregation of duties. We noted that the same person collects receipts, creates the deposit ticket, takes the deposit to the bank, records the receipts in the ledger and reconciles the bank account. There is no independent review done over these procedures.

In reviewing controls over payroll, we determined there is a lack of segregation of duties related to payroll. We noted that the same employee enters payroll data into the payroll system, reviews it and compares it against timesheets, prints checks, requests funds for payroll from the operating

account, signs the payroll checks, and reconciles the payroll bank account. All of these procedures are done without an independent review.

When controls procedures are performed by the same employee and no compensating controls are in place, the risk for material misstatement significantly increases due to error or fraud that could occur without being detected.

We recommend the County separate the control functions related to receipts, or implement procedures to begin having these steps reviewed for accuracy. The review should be documented by initials of the reviewer on all documents reviewed. We also recommend the County either separate the functions related to payroll or begin implementing procedures for a review of each step with the reviewer initialing each document reviewed.

County Judge/Executive John Logan Brent's response: Will take additional steps on deposits.

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

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