



Auditor of Public Accounts
Mike Harmon

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Harmon Releases Audit of Christian County Fiscal Court

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statements of the Christian County Fiscal Court for the fiscal year ended June 30, 2015. State law requires annual audits of county fiscal courts.

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 accounting principles generally accepted in the United States of America. The fiscal court's financial statement 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:

Christian County Fiscal Court did not have adequate controls over credit card disbursements. The following deficiencies were documented regarding credit card transactions:

- 26 credit card transactions did not have adequate supporting documentation (itemized invoices).
- One item was missing an invoice.
- Four credit cards were not paid in full each month or on time, resulting in finance charges/late fees of \$147.70.
- A jail credit card transaction included \$11.68 for alcoholic beverages.

- All hotel bills included federal and state tax payments when the county should be receiving a government rate.

These deficiencies over credit card disbursements occurred because of the fiscal court's lack of internal controls and oversight. By failing to maintain adequate documentation, the fiscal court increased the risk of paying invoices for goods or services that were not provided to the county or for items that are not allowable. Also, by not paying credit cards timely and in full each month the fiscal court could be issued late fees and finance charges. Good internal controls dictate that adequate supporting documentation should be maintained for all 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. We recommend that the county further develop internal control procedures to ensure that credit card transactions are properly supported. We also recommend the fiscal court consider including an explanation of why the travel occurred and the individuals participating in the meals, if applicable, to provide further documentation to ensure that all meals and travel are county related.

County Judge/Executive Tribble's response: Christian County has implemented procedures to address credit card transaction deficiencies. The staff member responsible for the unallowable disbursement has been reprimanded. Furthermore, the staff member has made reimbursement in the amount of \$11.68 to the County Jail Fund.

Christian County Fiscal Court did not properly utilize the purchase order system. The Christian County Fiscal Court did not properly utilize the purchase order system in accordance with Department for Local Government guidelines. The jail, animal shelter, and courthouse maintenance would randomly notify the finance officer to obtain a purchase order, but even then the purchase order was not being properly filled out. All other departments were not requesting a purchase order prior to making a purchase or requesting a service be performed. Although the fiscal court has a purchase order system in place, there was no one enforcing or monitoring it to ensure that it was being utilized correctly.

Failure to maintain appropriate records for purchase orders could result in incorrect amounts being paid or not having adequate funds or sufficient budget appropriation available. KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The Department for Local Government (DLG) *County Budget Preparation and State Local Finance Officer Policy 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."

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 and to comply with DLG's *County Budget Preparation and State Local Finance Officer Policy Manual*. Purchase orders should be completely filled out at the time of issuance.

County Judge/Executive Tribble's response: Christian County has taken steps to strengthen the purchase order system.

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

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