



Auditor of Public Accounts
Mike Harmon

FOR IMMEDIATE RELEASE

Contact: **Michael Goins**
Michael.Goins@ky.gov
502.564.5841
502.209.2867

Harmon Releases Audit of Garrard County Fiscal Court

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statements of the Garrard 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 Garrard 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 comment:

The fiscal court should strengthen controls over reporting of capital assets and ensure all assets are adequately insured. The county's capital asset listing had material errors. Multiple assets were not listed that should have been listed, and assets that the county no longer had were still on the list. The auditor also noted one asset that was not on the county's insurance policy.

The fiscal court lacks adequate controls over reporting and valuation of capital assets.

As a result of inadequate controls, the fiscal court did not adequately monitor and track capital assets as required by the Department for Local Government. The auditor noted the following:

- Multiple assets totaling \$1,031,040 and a construction in progress totaling \$1,045,242 were not on the county's capital asset schedule provided to the auditor.
- Multiple items totaling \$2,701,517 were retained on the asset list that was no longer owned by the county.
- One asset totaling \$63,976 was not on the county's insurance policy.
- Material adjustment of \$881,052 to the prior year ending capital asset balance.

Strong internal controls over capital assets are necessary to ensure accurate financial reporting as well as protect assets from misappropriation. Additionally, KRS 68.210 requires the State Local Finance Officer to create a system of uniform accounts for all counties and county officials.

The *County Budget Preparation and State Local Finance Officer Policy Manual* states, "For purposes of internal control, an asset inventory listing must be maintained for all asset purchases/donations above a reasonable dollar amount, and have a useful life of greater than one year. The asset inventory listing should provide the following detail:

- Property Tag number
- Asset description
- Serial number - if applicable
- Quantity - if applicable
- Cost (or Fair Market Value of donated asset at date of donation)
- Date of acquisition
- Date of disposal (track all disposals for entire fiscal year)
- Property location (by department, building & room number)
- Manager/individual responsible

The Asset Inventory Listing will include assets reported on the Capital Asset Listing, with the exception of infrastructure assets." The manual further explains that an annual physical inventory of property and equipment shall be conducted on or before June 30. Physical counts must be compared to the master asset inventory listing. Resulting differences must be reconciled, explained, and documented. The asset inventory listing should be updated for all additions, disposals, and property location changes, etc. Authorization must be given to appropriate accounting personnel for asset record and asset inventory listing modifications.

The Department for Local Government further requires that adequate fixed asset records provide the information necessary to report the cost or other basis of valuation, determine the accuracy of insurance coverage, maintain control of county property, and for long range planning for property replacement. Maintenance of records for general fixed assets which fall into any of the following three categories is a requirement of the Uniform System of Accounts for Kentucky counties:

1. Real Estate
2. Motor vehicles (including road equipment)
3. Valuation in excess of \$100

In order to strengthen the county's internal controls over capital assets, we recommend the county establish a detailed inventory system. This system should include a detailed description of the asset, an inventory control number or serial number, the date acquired, location, date destroyed or sold as surplus, and a brief description as to why the asset was discarded. The inventory of county assets should be updated as new assets are purchased or sold. We also recommend the county reconcile asset purchases and disposals with the expenditures ledger and receipts ledger. The county should also conduct a physical inspection of county assets at the end of each year and make comparisons to the county's list of inventoried assets and insurance policy

County Judge/Executive John Wilson's response: The judge/executive did not respond.

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

###

The Auditor of Public Accounts ensures that public resources are protected, accurately valued, properly accounted for, and effectively employed to raise the quality of life of Kentuckians.

Call 1-800-KY-ALERT or visit our website to report suspected waste and abuse.

