



Auditor of Public Accounts  
Mike Harmon

**FOR IMMEDIATE RELEASE**

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## **Harmon Releases Audit of Henry County Fiscal Court**

**FRANKFORT, Ky.** – State Auditor Mike Harmon has released the audit of the financial statement of the Henry 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 fund balances of the Henry 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:

**The county has a lack of segregation of duties over receipts.** We noted during the review of internal controls related to receipts there is a lack of segregation of duties. 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 over these procedures. When controls procedures are performed by the same employee and no compensating controls are in place, the risk of undetected material misstatements due to error or fraud significantly increases. Proper internal controls dictate that duties should be segregated to prevent one person from performing all steps in a specific area. 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. Steps have been taken to help segregate the duties going forward.

*County Judge/Executive John Logan Brent's Response: Your recommendation will be taken into consideration. The staff will attempt to segregate duties between the two active employees.*

**The county has a lack of segregation of duties over payroll.** There is a lack of segregation of duties related to payroll. The same employee enters payroll data into the payroll system, reviews it and compares it against timesheets, prints checks, requests funds from for payroll from the operating account, signs the payroll checks, and reconciles the revolving payroll account. All of these procedures are done without independent review. When controls procedures are performed by the same employee and no compensating controls are in place, the risk of material misstatements due to error or fraud significantly increases. Proper internal controls dictate that duties be segregated so that no one employee has complete controls of all aspects of a process. We recommend the county 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: Your recommendation is noted and the staff will attempt to segregate staff's duties between the two active employees.*

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

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