



Auditor of Public Accounts
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Harmon Releases Audit of Hancock County Fiscal Court

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statement of the Hancock County Fiscal Court for the fiscal year ended June 30, 2017. 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 Hancock 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 noncompliance with laws, regulations, contracts, and grants. The auditor must also comment on material weaknesses involving internal control over financial operations and reporting.

The audit contains the following comments:

The fiscal court does not have adequate controls over credit card transactions: This is a repeat finding and was included in the prior year audit report as Finding 2016-001. The Hancock County Fiscal Court does not have adequate internal controls over credit card transactions. One credit card transaction was missing an itemized invoice. Good internal controls dictate that adequate supporting documentation be maintained. These deficiencies over credit card disbursements occurred because of the fiscal court’s lack of internal controls and oversight. We recommend the county develop internal control procedures to ensure all employees know to turn in an itemized invoice when paying with the credit card.

County Judge/Executive's Response: Hancock County has procedures in place and will adhere to them the best of their ability.

The fiscal court lacks segregation of duties over cash, receipts, and payroll: This is a repeat finding and was included in the prior year audit report as Finding 2016-003. The county treasurer prepares reports for submission to the Department for Local Government, makes cash transfers between funds, and performs the bank reconciliations for all bank accounts. The county treasurer also processes all payroll transactions and prepares all payroll related reports. The county has compensating controls in place over payroll. The treasurer's assistant reviews all timesheets and prepares payroll. The county treasurer reviews the payroll and prepares the payroll reports and contacts the bank to initiate the direct deposit of payroll.

Segregation of duties over these functions, or the implementation of compensating controls, is essential for providing protection from asset misappropriation and helping prevent inaccurate financial reporting.

According to the county, due to the small size and budget restrictions, the fiscal court has limited options for establishing segregation of duties.

The lack of segregation of duties could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department for Local Government. In addition, too much control by one individual without oversight can lead to undetected irregularities.

We recommend the county divide the responsibilities for cash, receipts, and payroll among the county treasurer and other employees of the county in order to achieve an appropriate level of segregation of duties or implement compensating controls over these areas.

County Judge/Executive's Response: As there are only two people in the Treasurer's department, we have implemented numerous compensating controls to help with this matter and continue to do so to improve segregation of duties.

The fiscal court did not maintain documentation for employment packages: This is a repeat finding and was included in the prior year audit report as Finding 2016-004. The Hancock County Fiscal Court did not have documentation to support the employment package for the EMS Director. The EMS Director is receiving multiple benefits as part of his employment package including the use of a county vehicle and employee plus spouse insurance coverage.

There was no documentation to support the EMS Director's employment package because of a lack of oversight by the county judge/executive.

By not maintaining documentation of employment packages employees could be receiving payments or benefits that they are not entitled to receive.

Good internal controls dictate that all employment packages should be in writing and all documentation should be maintained by the fiscal court to ensure that all employees are receiving the appropriate benefits.

We recommend the fiscal court obtain all employment packages in writing and maintain the documentation.

County Judge/Executive's Response: This issue has been resolved.

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

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