



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

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statement of the Knott County Fiscal Court for the fiscal year ended June 30, 2018. 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 Knott 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 Knott County Fiscal Court did not pay invoices presented to the court within 30 days of receipt: This is a repeat finding and was included in the prior year audit report as Finding 2017-001. During the course of our audit we found the following noncompliance with disbursements:

- Thirteen invoices totaling \$753,428 were not paid within 30 working days
- Accrued and paid interest charges totaling \$75 on a credit card
- Late payment fees totaling \$38 on a credit card

The fiscal court lacks sufficient oversight and policies and procedures to ensure bills are paid timely. As a result, some vendors were paid outside the 30-day window.

KRS 65.140(2) states, “[u]nless the purchaser and vendor otherwise contract, all bills for goods or services shall be paid within thirty (30) working days of receipt of a vendor’s invoice except when payment is delayed because the purchaser has made a written disapproval of improper performances or improper invoicing by the vendor or by the vendor’s subcontractor.”

We recommend that the fiscal court implement sufficient oversight and policies and procedures to ensure invoices are paid timely.

County Judge/Executive and Treasurer’s Response: The Knott County Fiscal Court continues to strive to pay bills within thirty days. Those bills were paid outside thirty days primarily due to lack of funds.

The Sportsplex lacks internal controls over cash receipts: In January 2018, subsequent to the issuance of the findings of the Fiscal Year 2017 audit, changes were implemented at the Knott County Sportsplex in an effort to strengthen internal controls over cash receipts. During our current year audit, we noted some improvements in internal controls however we still observed deficiencies that need to be addressed.

The Knott County Sportsplex collects money for rental fees, league fees, membership fees, concessions, front door admission ticket sales, driving range, arcades, advertisements, and vending machines. The Sportsplex maintains cash registers at the front desk, the inside concession stand and the outside concession stand. Change funds are maintained at the driving range and at the front door during ticket sales. Referees and umpires are paid out of the cash collected from the respective events. The Sportsplex director and the morning front desk employee count the cash together and prepare the daily deposit sheet totaling cash collected for the previous day. The Director prepares the deposit slip agreeing to the daily deposit sheet and takes deposit to bank. A copy of the daily deposit sheet is then faxed to the treasurer.

We selected 12 daily deposit sheets throughout Fiscal Year 2018 for additional testing of controls in place. Below is a summary of our testing:

- The point of sale documents did not always match for the first half of the year, but all documentation match starting in January 2018.
- The front desk documentation for cash receipts did not always match for the first half of the year, but starting in January 2018, receipt documents matched.

We recommend the Fiscal Court continue to improve the internal control by reconciling all amounts on the daily deposit report to the underlying documentation on a daily basis.

County Judge/Executive and Treasurer’s Response: The Knott County Fiscal Court has greatly improved internal controls at the Sportsplex. We will continue to make improving internal controls at the Sportsplex a top priority.

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

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