



Auditor of Public Accounts
Mike Harmon

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Harmon Releases Audit of Owen County Fiscal Court

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statement of the Owen 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 Owen 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 did not include public properties debt in the amount of \$10,095,000 on the fourth quarter report. The county did not include public properties debt on the fourth quarter report, which also serves as the county's year-end financial statement. Policies and procedures were not in place to ensure accurate reporting of the county's debt. This resulted in the liability section of the quarterly report being incorrect and materially understated by \$10,095,000. The State Local Finance Officer requires that all liabilities be shown in section III of the fourth quarter report. We recommend the county include all county debt on the quarterly report in the future.

Casey Ellis, Owen County Judge/Executive response: After consultation with State Auditor officials, new fourth quarter reporting procedures of all Public Properties debt has been incorporated within quarter reporting standards.

The county's master capital assets listing was materially misstated. The county did not maintain an accurate capital asset listing. The listing provided to auditors at engagement appeared to be an inventory listing including items that did not exceed the capitalization threshold. Auditors gave the county a copy of the prior year audited capital asset listing. The county updated this listing and returned it as their master capital assets listing. Our review of the fiscal court minutes and the county's disbursement ledger disclosed \$110,515 of capital asset purchases during Fiscal Year 2015 that were not on the county's master capital asset listing. In addition, their master listing included \$5,000 of land, \$27,900 of buildings, and \$92,980 of vehicles and equipment acquired in previous years, requiring adjustments to their capital assets beginning balance. Lastly, of our sample, three assets were not added to the county's insurance, while another asset was not added to the policy timely.

Capital asset records are necessary for proper asset valuation, adequate and accurate insurance coverage, internal control, and long range planning for property replacement. Strong controls reduce the risk of asset misappropriation.

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.

Casey Ellis, Owen County Judge/Executive response: Owen County Fiscal Court will officially adopt a Capital Asset and Inventory policy in August 2016. The policy will address all DLG reporting standards along with all financial values for all capital and non-capital assets.

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

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