



Auditor of Public Accounts
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FOR IMMEDIATE RELEASE

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Ball Releases Audit of Graves County Fiscal Court

FRANKFORT, Ky. – State Auditor Allison Ball has released the audit of the financial statements of the Graves County Fiscal Court for the fiscal year ended June 30, 2023. State law requires annual audits of county fiscal courts.

Auditing standards require the auditor’s letter to communicate whether the financial statements present fairly the receipts, disbursements, and changes in fund balances of the -- 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 116 of 120 fiscal court audits in Kentucky.

The audit contains the following findings:

The Graves County Fiscal Court lacks adequate controls over disbursements: Due to the lack of controls, the following findings were noted:

- The purchase order system did not function as designed. Numerous purchase orders were issued after the invoices were received, and available line-item appropriations were not monitored when purchase orders were issued.
- Seven disbursements totaling \$815,828 were not paid within 30 working days.
- Three disbursements totaling \$466,100 were not presented to the fiscal court before payment.
- Two employees were paid travel per diem that exceeded the approved per diem rates.
- One travel reimbursement was not signed by the employee.
- The fiscal court spent more than 65% of the budget for the alcohol regulatory license fund before January 1.
- Encumbrances were not properly reported on the fourth quarter financial statement.

We recommend the Graves County Fiscal Court strengthen internal controls over disbursements by ensuring that purchase orders are issued prior to all purchases being made. We further recommend the Graves County Fiscal Court properly monitor the budget and only issue purchase orders if sufficient line-item appropriations exist. We also recommend that supporting documentation be maintained for all disbursements and that all invoices be paid within thirty days. Additionally, we recommend all claims be presented to the fiscal court prior to payment. We also recommend that encumbrances be reported accurately on the quarterly financial statements. Finally, we recommend the Graves County Fiscal Court ensure the county’s travel policy is followed when reimbursing employees for travel, and we recommend that all travel vouchers are properly approved before payment.

County Judge/Executive’s Response: The Graves County Fiscal Court has had some transitions in personnel. There are training opportunities that are being addressed and corrected immediately to alleviate any future issues.

The Graves County Fiscal Court failed to approve cash transfers prior to them being made by the County Treasurer:

We tested twelve cash transfers totaling \$1,795,000. Nine transfers totaling \$1,325,000 were approved by a blanket approval order passed by the fiscal court on January 10, 2022, and then approved with the monthly financial statement at each subsequent fiscal court meeting. Three cash transfers totaling \$470,000 were approved by the blanket order, however, they did not appear to be approved with the monthly financial statements at the subsequent fiscal court meeting, nor did they appear to be approved individually. According to county personnel, it was believed that the blanket approval order was

sufficient authorization for the transfer of funds. The failure to approve some transfers at subsequent fiscal court meetings was an oversight.

We recommend all cash transfers be presented to, and approved by, the Graves County Fiscal Court prior to being made by the county treasurer.

County Judge/Executive's Response: On January 10, 2022 the Graves County Fiscal Court authorized the former County Treasurer to make transfers within the budget as needed with the approval of the transfers taking place at the next Fiscal Court meeting. The current County Treasurer will get Fiscal Courts Approval before making Interfund Cash Transfers.

The Graves County Jailer lacks effective management oversight of the jail commissary: A lack of effective management oversight of the jail commissary resulted in several issues including (1) accounting duties not adequately segregated, (2) an annual commissary report not properly prepared and submitted to the county treasurer, (3) jail fees not accurately accounted on inmate reports, and (4) commissary commissions not transferred from the inmate fund to the jail canteen account.

We recommend the Graves County Jailer implement effective management oversight of the jail commissary. We recommend the jailer establish adequate segregation of duties, if not feasible, we recommend the jailer implement effective compensating controls and strong management oversight such as supervisory review of accounting records and reports. We also recommend the jailer ensure commissary commissions are transferred each month from the inmate fund to the jail canteen account so that commissions can be used for the benefit and well-being of the prisoners or to enhance the safety and security within the jail. Lastly, we recommend that the jailer comply with KRS 441.135 by submitting a canteen report to the county treasurer annually.

County Judge/Executive's Response: I recognize the inadequacies and it falls on the responsibility of the Graves County Jailer.

Jailer's Response: We will make every effort to resolve the issue/comment found by our auditor to the satisfaction of your office, and we were grateful for the time your office spent explaining the error as well as some suggestions that could assist us in correcting it. (View the full Jailer response in the Graves County Fiscal Court Audit Report).

The Graves County Fiscal Court did not accurately report debt liabilities: The county reported no outstanding debt on the liabilities section of the June 30, 2023 quarterly financial statement. However, the confirmed principal balance Fiscal Court's debt was \$147,264. Additionally, the county did not notify the state local finance officer when entering a financing obligation for a mini excavator. The county did not report several entries including \$49,345 for a body scanner for the jail and \$97,919 for a mini excavator.

We recommend the Graves County Fiscal Court review debt schedules and the debt liabilities section of the quarterly financial statements to ensure all outstanding principal and interest is reported accurately. Lastly, we recommend that the fiscal court notify the state local finance officer when entering a financing obligation.

County Judge/Executive's Response: As an oversight of the Graves County Fiscal Court, there was a liability that was assumed as a lease, but instead it was a purchase. It will be included as debt liability FY 23-24.

The Graves County Fiscal Court lacks adequate controls over the schedule of expenditures of federal awards: The Graves County Fiscal Court lacks adequate controls over the Schedule of Expenditures of Federal Awards (SEFA). Reported amounts for some of the federal programs were misstated, and the names of the awarding agencies were incorrect, as were some of the program names. According to staff, the errors noted are due to a lack of experience in compiling information for the SEFA. As a result, the SEFA was misstated by \$104,044.

We recommend the Graves County Fiscal Court strengthen controls by requiring all financial statements be reviewed by someone independent of the reporting process. To ensure all information is correct, we recommend that the reviewer compare the Schedule of Expenditures of Federal Awards with relevant documents such as grant agreements and the disbursements ledger.

County Judge/Executive's Response: The Graves County Fiscal Court will require all financial statements be reviewed by someone independent of the reporting process to ensure accuracy.

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

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