



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

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statement of the Hickman County Fiscal Court for the fiscal year ended June 30, 2021. 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 Hickman 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 comment:

The Hickman County Fiscal Court failed to implement proper internal controls over disbursements: The Hickman County Fiscal Court failed to implement proper internal controls over disbursements resulting in the following findings:

- Twenty-nine purchase orders were issued after the expenses were incurred.
- One invoice was not paid within 30 days.
- Two credit card invoices were paid late resulting in finance charges and late fees.

Purchase orders were not issued before the expenses were incurred because the treasurer creates the purchase orders on the day that the checks are written. Due to oversight, one invoice was not paid within 30 days, and two credit card statements were paid late.

The issues noted above could result in line-items being over budget, claims being paid which are not valid obligations of the fiscal court, and misappropriation of assets. Additionally, the fiscal court is not in compliance with KRS 65.140(2).

Strong internal controls dictate that purchase orders be approved and issued prior to items being ordered and expenses being incurred. This control helps ensure that the county will be within budget constraints before any liability is incurred.

KRS 68.210 gives the state local finance officer the authority to prescribe a system of uniform accounts. The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* outlines requirements for counties' handling of public funds, including required purchasing procedures for counties.

According to a memorandum from DLG dated August 4, 2016, "[t]he main purpose of this system is to ensure that purchases can be made if there are sufficient appropriations available within the amount of line items in the county's budget. Because of this, it is a requirement by the State Local Finance Officer that all counties have a purchase order system and follow the guidelines prescribed on Page 54 of the *County Budget Preparation and State Local Finance Officer Policy Manual*."

Strong internal controls also dictate that invoices be monitored to ensure that bills are paid timely. Furthermore, 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[.]"

We recommend that the Hickman 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 fiscal court pay all invoices within 30 working days of receipt.

County Judge/Executive's Response: Treasurer will work with all departments to ensure purchase orders are assigned prior to purchases being made. Treasurer will make sure all invoices are paid at the next scheduled Fiscal Court meeting after invoice is received. Due to Covid-19 mail was taking longer to get to reach vendors. [name redacted] was taking up to 3 weeks to be received and processed. We chose to go with a different Corporate Credit card so that we could ensure that payments would not be late and fees would not be assessed.

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

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