



Auditor of Public Accounts
Mike Harmon

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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, 2022. 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 116 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 does not have adequate internal controls at the Knott County Sportsplex: This is a repeat finding and was included in the prior year audit report as Finding 2021-003. Our review of the receipts and disbursement process for the Knott County Sportsplex revealed weaknesses in internal controls that should be addressed. The Knott County Sportsplex collects money for rental fees, membership fees, concessions, front door ticket sales, driving range, arcades, advertisements, and vending machines. During basketball season, referees are paid out of the front door cash receipts. The sportsplex director calculates the sales report and deposit, faxes the daily checkout sheet to the county treasurer, and makes the daily deposit. If referees are paid out of the cash drawer, the amount is listed on the daily checkout sheet to reduce cash receipts from the day's business.

The fiscal court did not implement good internal controls over receipts. Because internal controls are not in place for receipts, money could be misappropriated and go undetected.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* states, "[d]isbursements by check only." Good internal controls over cash receipts help safeguard assets from employee theft, robbery, and unauthorized use. Good internal controls also enhance the accuracy and reliability of accounting records by reducing the risk of errors, intentional mistakes, and misrepresentations in the accounting process.

KRS 68.275(1) states, "[c]laims against the county that are within the amount of line items of the county budget and arise pursuant to contracts duly authorized by the fiscal court shall be paid by the county judge/executive by a warrant drawn on the county and co-signed by the county treasurer." KRS 68.275(2) states, "[t]he county judge/executive shall present all claims to the fiscal court for review prior to payment and the court, for good cause shown, may order that a claim not be paid."

Due to the high volume of cash transactions and the failure to account for significant amounts of revenue, we recommend the county implement the following procedures:

- Prenumbered receipts should be maintained for all monies collected. This accounts for front desk, concession stand, and the driving range.
- All checks should be copied and detailed on the deposit ticket with a name to identify collections.
- All daily checkout sheets and deposit tickets should be signed or initialed with a supervisor's approval to verify correct amounts were collected and deposited daily.
- All disbursements paid to referees should be made by check only.

County Judge/Executive's Response: The Fiscal Court has implemented various controls to help this situation for example a point of sales system.

The Court is always trying to increase internal controls at the Sportsplex.

The Knott County Fiscal Court does not have adequate internal controls at the Mine Made Adventure Park and Campground: This is a repeat finding and was included in the prior year audit report as Finding 2021-004. A review of the receipts process for the Knott County Mine Made Adventure Park and Campground revealed weaknesses in internal controls that should be addressed. The Knott County Mine Made Adventure Park and Campground collects money for campsite and cabin rentals, RV storage rentals, parking fees for ATV rides, and sells shirts, ice, and firewood. One employee is in charge of the operations which involves collecting, reconciling, and depositing money into the bank on a weekly basis instead of daily.

The fiscal court did not implement good internal controls over receipts. Because internal controls are not in place for receipts, money could be misappropriated and go undetected. Good internal controls over cash receipts help safeguard assets from employee theft, robbery, and unauthorized

use. Good internal controls also enhance the accuracy and reliability of accounting records by reducing the risk of errors, intentional mistakes, and misrepresentations in the accounting process.

Due to the high volume of cash transaction, we recommend the county implement the following procedures:

- Prenumbered receipts should be maintained for all monies collected. This accounts for all rentals and sales.
- All daily checkout sheets and deposit tickets should be signed or initialed with a supervisor's approval to verify correct amounts were collected and deposited daily.

County Judge/Executive's Response: The Fiscal Court has implemented various controls to help this situation for example a point of sales system.

The Court is always trying to increase internal controls at the Mine Made Park.

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

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