



Auditor of Public Accounts
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FOR IMMEDIATE RELEASE

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Harmon Releases Audit of Ohio County Fiscal Court

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statement of the Ohio 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 Ohio 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 Ohio County Detention Center lacks adequate segregation of duties over jail commissary receipts and disbursements: This is a repeat finding and was included in the prior year audit report as Finding 2020-001. The Ohio County Detention Center lacks adequate segregation of duties over jail commissary receipts and disbursements. The jailer prepares deposits, prepares checkout sheets for inmate fees collected, handles cash collected from inmates, and approves and signs commissary checks.

According to the jailer, this lack of segregation of duties is a result of a limited budget, which restricts the number of qualified employees the Ohio County Detention Center can hire for accounting functions.

Without proper internal controls, the jailer creates the opportunity for misappropriation of assets and inaccurate financial reporting to occur and go unnoticed.

Good internal controls dictate that duties over the various accounting functions such as preparation of deposits, checkout sheet preparation, collection of cash, and preparation of checks be segregated in order to lower the risk of misappropriation of assets and inaccurate financial reporting occurring and going unnoticed.

We recommend the Ohio County Detention Center implement segregation of duties over jail commissary receipts and disbursements of the jail commissary. If the duties cannot be segregated due to a limited number of staff or budget, strong oversight should be provided over the employee responsible for the duties. In addition, any compensating controls should be documented if performed.

Jailer's Response: The official did not provide a response.

The Schedule of Expenditures of Federal Awards was overstated: The Ohio County Fiscal Court's original Schedule of Expenditures of Federal Awards (SEFA) was overstated by \$301,869. The total overstatement consisted of the following errors:

- Two grants were included without an assistance listing number in the amount of \$54,783 for a Kentucky Emergency Management Grant and \$13,631 for a Center for Tech & Civic Life Grant. Both of these items included no federal expenditures.
- Assistance Listing Number 21.019 - \$233,455 was removed from the schedule of expenditures of federal awards for items expensed during the 2020 fiscal year. These expenditures were not reported on the prior year schedule of expenditures of federal awards.

According to county personnel, the funds recorded for the Coronavirus Relief Fund that were received in Fiscal Year 2021 were mistakenly documented as Fiscal Year 2021 federal expenditures. In addition, the SEFA documented one grant that they believed would be reimbursed by the federal government and one grant that was mistakenly thought to be from the federal government.

As a result of the errors made and lack of effective operating controls, the original SEFA was misstated. In addition, by including some of the expenditures on the current year SEFA, a single audit was missed in the prior year.

Strong internal controls over financial reporting are vital in ensuring that federal awards expended are accounted for and reported properly. Strong internal controls are also important in safeguarding the county's assets and those given the responsibility of accounting for them, as well as helping make certain the county is in compliance with all requirements and guidance. The purpose of the schedule of federal expenditures is to trace and document the amount of federal awards spent each fiscal year and to ensure a single audit is performed if total federal expenditures exceed \$750,000. Additionally, 2 CFR 200.510(b) states, "[t]he auditee must also prepare a schedule of expenditures

of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended."

We recommend the Ohio County Fiscal Court implement or strengthen controls over federal award expenditures reporting to ensure amounts reported represent true federal expenditures during the year.

County Judge Executive's Response: Our best effort is put into correctly stating our federal expenditures. Due to lack of information on grants and ability to locate information this is not always possible.

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

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