



Auditor of Public Accounts
Mike Harmon

FOR IMMEDIATE RELEASE

Contact: Michael Goins
Michael.Goins@ky.gov
502.564.5841
502.209.2867

Harmon Releases Audit of Christian County Fiscal Court

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statement of the Christian County Fiscal Court for the fiscal year ended June 30, 2019. 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 Christian 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 comments:

The fiscal court is not using purchase orders correctly: The Christian County Fiscal Court's purchase order system is not functioning properly. During disbursements testing, we noted that on 62 of the 91 disbursements tested, purchase orders did not exist or did not include sufficient information to meet the standards required by the Department for Local Government's (DLG) *County Budget Preparation State Local Finance Officer Policy Manual*.

This was caused by a misunderstanding of the purchase order system requirements and the reasoning behind the implementation. By not requiring a purchase order to be completed for each purchase, there are no controls in place to ensure there is adequate budgeted funds available before completing a transaction. This could cause employees to overspend budgeted amounts and might allow employees to make purchases without appropriate approval.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in DLG's *County Budget Preparation and State Local Finance Officer Policy Manual*. As part of these guidelines, a requirement for a purchase order journal is created. Purchase orders must include a unique purchase order number, an issue approved appropriation code where the purchase will be posted, the vendor name, the date the invoice is received, the amount of the purchase, the date in which the claim is approved by fiscal court after completion, the date paid, and the amount paid. A good purchase order system is also a good part of effective internal controls. Purchase orders allow a supervisor to review all purchases before they are made and ensure that budgeting requirements are met.

We recommend that the Christian County Fiscal Court implement a purchase order system which meets the standards set forth in the *County Budget Preparation and State Local Finance Officer Policy Manual*.

County Judge/Executive's Response: The purchase order system has been reviewed. Purchase orders will be required for all purchases in accordance with standards required by the Department for Local Government.

The Christian County Jail lacks segregation of duties over jail commissary and inmate accounts: The jail's bookkeeper prepares deposits, prepares daily checkout sheets, and posts to the receipts ledgers. The bookkeeper also prepares monthly collection and disbursement reports, writes and signs checks, posts to the disbursements ledger, and prepares the monthly bank reconciliations. Compensating controls over receipts, such as the review of daily checkout sheets by other jail personnel and the review of bank reconciliations by the jailer were noted, but were not deemed to be functioning adequately enough to offset this deficiency.

Due to the small size of staff, and limited resources, the Christian County Jail has limited options for establishing segregation of duties. A lack of segregation of duties could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies, such as the Department for Local Government (DLG). In addition, too much control by one individual without oversight can lead to undetected irregularities.

Segregation of duties over these functions, or the implementation of compensating controls, is essential for providing protection from asset misappropriation and helping prevent inaccurate financial reporting.

We recommend the Christian County Jail segregate duties. If proper segregation of duties is not possible due to budget constraints, we recommend that the Christian County Jail implement compensating controls over jail commissary and inmate accounts.

County Judge/Executive's Response: No response.

County Jailer's Response: The Christian County Jail is reviewing staff duties with regard to jail commissary and inmate accounts. As noted by auditors current staffing makes it challenging to provide for complete segregation of duties. Staff will work to strengthen compensating controls to provide additional review and approval.

The Christian County Fiscal Court did not properly disburse all restricted Commercial Mobile Radio Services (CMRS) funds and local landline taxes: The Christian County Fiscal

Court (county) receives wireless (CMRS) fees and landline taxes from various telecommunications companies. The CMRS fees are collected by the state 911 Services Board and paid to the county. The landline taxes are assessed in accordance with local ordinance #91-4. Both the CMRS fee and landline taxes are restricted in use and are set aside into the E911 Fund. In accordance with a 2011 inter-local agreement between the county and the City of Hopkinsville, the county acts as the fiscal agent for CMRS and landline taxes.

The county's E911 fund receives the CMRS fees on behalf of the Hopkinsville/Christian County Emergency Communications Center (ECC) which is the designated city and county Public Safety Answering Point (PSAP), which is the point that 911 calls are received and dispatched. In fiscal year ended June 30, 2019, the county received \$344,077 of CMRS funds, and of these funds, \$234,260 were remitted directly to the ECC. An additional \$66,978 was paid to vendors on behalf of the ECC. The remaining CMRS receipts of \$42,839 are due to the ECC as of June 30, 2019.

During disbursements testing, we noted two disbursements paid to the Christian County Fire & Rescue totaling \$59,480 from landline taxes. Pursuant to KRS 65.760, contributions to fire departments do not meet the criteria of being attributable to the establishment, operation, or maintenance of a PSAP.

It was also noted that funds were being accumulated in the E911 fund to ensure adequate repairs on a microwave tower and other infrastructure as needed. Per the treasurer, the county built a new microwave tower in 2015 and decided to pay all maintenance costs directly instead of signing a maintenance agreement in an attempt to save money. The bulk of the E911 fund balance was accumulated prior to July 1, 2016. The June 30, 2016 ending E911 fund balance was \$879,613. However, auditors found that not all CMRS funds collected after July 1, 2016, were properly remitted to or paid on behalf of the ECC. Based on the treasurer's records, there appears to be an additional \$94,898 of CMRS funds due to the ECC for combined fiscal years 2017 and 2018.

The \$784,715 remaining balance of E911 funds accumulated prior to July 1, 2016 should be used for “for the establishment, operation, and maintenance of a 911 emergency communication system” in accordance with KRS 65.760 as written prior to the 2016 amendment.

The funds were not properly remitted to the PSAP due to a conflict in the 2011 inter-local agreement requirements and the 2016 changes to KRS 65.760. The county did not update the inter-local agreement when the applicable laws and regulations regarding the use of CMRS funds and other applicable taxes changed. Additionally, the inter-local agreement did not take into account the requirements of KRS 65.7631. By not remitting CMRS funds properly and using landline taxes for unallowable uses, the PSAP was denied funds that could be used for the establishment, operation, or maintenance of the PSAP.

KRS 65.760 applies to the landline tax that the county instituted to provide funds for the ECC. KRS 65.760, including current and prior editions, provide the county and PSAP with guidelines on the allowable uses of revenues raised from any special tax, license, or fee levied for the delivery of 911 emergency services. KRS 65.760(4) states, “[a]ll revenues raised from any special tax, license, or fee levied under subsection (3) of this section shall be expended only as provided in this subsection and only to the extent that the expenditure is directly attributable to the establishment, operation, or maintenance of a PSAP, the delivery of 911 emergency services, or the provision of wireless enhanced 911 services...”

KRS 65.760 (5) also affirms, “[a] local government shall not use revenues from any special tax, license, or fee levied under subsection (3) of this section for personnel costs, facility costs, training and membership costs, equipment costs, vehicle costs, professional services costs, public education costs, nor any of the following costs, unless the expense is directly attributable to the delivery of 911 emergency services: (a) Personnel costs for the following personnel, unless directly functioning as PSAP staff:... (3). Fire protection personnel;”

Additionally, KRS 65.7631(5), which governs the uses of CMRS funds states in part, “[a]ll amounts distributed to PSAPs under this subsection shall be used by the PSAPs solely for the purposes of answering, routing, and properly disposing of CMRS 911 calls, training PSAP staff, and public education concerning appropriate use of 911, in accordance with KRS 65.760(4) and (5)[.]”

We recommend that the county remit \$137,737 of E911 CMRS funds to the ECC in order to fully pay over CMRS funds in accordance with KRS 65.760. We also recommend the county general fund reimburse the E911 fund for all payments made to the Christian County Fire and Rescue (CCFR) from E911 landline funds. While the county disbursed \$59,480 to the CCFR in fiscal year ended June 30, 2019, auditors noted additional payments in fiscal years ending June 30, 2018 and June 30, 2020, that should be reimbursed from the county’s general fund.

County Judge/Executive’s Response: Christian County will remit \$137,737 of E911 CMRS funds to the ECC in accordance with auditor recommendations. Christian County will also transfer payments made to the volunteer fire departments from the general fund to the E911 fee fund. Additionally, Christian County will transfer 100% of future CMRS funding to the local PSAP.

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

###

The Auditor of Public Accounts ensures that public resources are protected, accurately valued, properly accounted for, and effectively employed to raise the quality of life of Kentuckians.

Call 1-800-KY-ALERT or visit our website to report suspected waste and abuse.

