



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, 2023. 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 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 findings:

The Christian County Fiscal Court had inadequate controls over disbursements, resulting in noncompliance: During Fiscal Year 2023, the Christian County Fiscal Court had internal control deficiencies and noncompliances regarding disbursements. The following findings were noted with Christian County Fiscal Court’s disbursements:

- Of the 96 invoices tested, six invoices were not paid within 30 working days of receipt.
- Twenty-one of the 96 invoices tested did not have purchase orders issued, while 39 of the 96 invoices tested had purchase orders dated after the invoice date. One invoice had a purchase order that was not dated.

- Of the eight credit card purchases tested, \$100 in late fees and finance charges were paid.

The fiscal court failed to establish appropriate internal controls over disbursements. Due to the fiscal court's failure to establish effective internal controls over disbursements the instances of noncompliance reflected above occurred. These control deficiencies could also result in line items being over budget, claims not related to the fiscal court being paid, inaccurate reporting, and misappropriation of assets.

Good internal controls dictate that controls over all disbursements be maintained to ensure that taxpayer funds are used appropriately. In addition, KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The uniform system of accounts is set forth in the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* which requires a purchase order system for all counties and each county is responsible for ensuring their purchase order system is executed and working properly. 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*." Furthermore, "DLG highly recommends that counties accept the practice of issuing POs for payroll and utility claims."

KRS 65.140(2), states, in part, "...all bills for goods or services shall be paid within thirty (30) working days of receipts of a vendor's invoice..."

We recommend the Christian County Fiscal Court improve procedures over disbursements by ensuring that late fees and finance charges are not paid on credit cards, and by strengthening their internal controls over purchase orders and ensuring that purchase orders are fully filled out per DLG guidelines and obtained prior to all purchases. We also recommend that disbursements be paid within 30 working days of receipt in accordance with KRS 65.140(2).

County Judge/Executive's Response: Controls have been implemented regarding this recommendation. Staff have been reminded of the importance of following the purchase order system as required by the Department for Local Government. Staff will also ensure that all current expenses are paid within terms. It should be noted that many of the invoices not paid within thirty days were the result of a change of address for the finance office. It was subsequently discovered that several invoices were mailed to the old address and not forwarded to the new mailing address.

The Christian County Fiscal Court did not have adequate controls over the procurement, suspension and debarment compliance requirement on federal expenditures:

Federal Program: Assistance Listing #21.027 COVID-19 Coronavirus State and Local Fiscal Recovery Funds

Award Number and Year: Information not available

Name of Federal Agency and Pass-Thru Agency (if applicable): U.S. Department of Treasury

Compliance Requirements: Procurement, Suspension & Debarment

Type of Finding: Material Weakness
Amount of Questioned Costs: \$0
Opinion Modification (if applicable): No
COVID Related: Yes

The Christian County Fiscal Court failed to implement adequate controls over procurement, suspension and debarment compliance requirements of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF). The disbursement of the SLFRF monies was not handled in the manner prescribed by the county's administrative code. Three disbursements totaling \$1,378,654 were tested and purchase orders were not utilized for any of the three disbursements.

The fiscal court also failed to document adequate controls concerning the compliance with suspension and debarment requirements. There was no documentation that suspension and debarment compliance requirements were followed. The county's contracts with local utilities failed to include suspension and debarment requirements. Additionally, there was no documentation that a search for suspended or debarred parties was performed prior to disbursing the funds to the utilities.

The county treasurer was not aware purchase orders were not issued. Preprinted purchase orders for the American Rescue Plan Act (ARPA) (SLFRF) Fund were not available for use. There was a breakdown in the verification process of debarred or suspended parties. Since the fiscal court did not issue purchase orders for the disbursements from the SLFRF monies, amounts spent could have exceeded budgetary restrictions, rendering them void. Additionally, because there was no documented search for suspended or debarred parties, ineligible vendors or contractors could have been utilized putting the county at risk for being held responsible for unallowed or questioned costs.

2 CFR 200.318 (a) states "The non-Federal entity must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or subaward."

The Christian County Administrative Code section 4.5 states for claims against Christian County "Each claim shall be recorded by date, receipts, and purchase order number and presented to the Fiscal Court at its next meeting." Additionally, the Department of Local Government (DLG) requires counties to implement a purchase order system which includes issuing purchase orders for all claims expended from the county's budget. Good internal controls require the use of established procurement policies to ensure that federal disbursements are handled in the manner consistent with the treatment of non-federal disbursements.

2 CFR 200.214 states "Non-Federal entities are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR part 180. The regulations in 2 CFR part 180 restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities." Good internal controls dictate documentation be maintained that verifies debarment and suspension regulations have been communicated and followed for vendors or contractors used in federally funded projects.

We recommend that the county improve internal controls over federal expenditures to ensure all compliance requirements are followed.

This is not a repeat finding from the previous year.

County Judge/Executive's Response: Staff will use purchase orders for all funds including disbursements from the American Rescue Plan Fund. However, it should be noted that the information included on a purchase order including date, approval, general ledger account number, and amount were listed on each invoice included in this finding. The only item not included was the title "purchase order." In addition, a separate ledger is maintained for this fund to monitor expenditures and appropriations. The current controls in place over federal funds provide the same assurance that expenditures will not exceed budget appropriations. This alternative procedure serves as an effective compensating control.

Auditor's Reply: Christian County failed to follow the Procurement, Suspension, and Debarment requirements of the Coronavirus State and Local Fiscal Recovery Fund (SLFRF). Vendors are required to be verified as being eligible- not suspended or debarred- before entering the related transactions. This requirement was not followed nor were the SLFRF disbursements encumbered in the manner prescribed by the procedures outlined in the county's administrative code. Since purchase orders were not utilized, the budgeted appropriation was not properly encumbered.

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.

