



Auditor of Public Accounts  
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### **Harmon Releases Audit of McCracken County Fiscal Court**

**FRANKFORT, Ky.** – State Auditor Mike Harmon has released the audit of the financial statement of the McCracken 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 McCracken 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 McCracken County Fiscal Court failed to implement internal controls over disbursements:** The McCracken County Fiscal Court failed to implement internal controls over disbursements. During our testing of the disbursements of the McCracken County Fiscal Court, we noted the following issues:

- Twenty-seven out of 43 disbursements tested did not have purchase orders.
- Six out of 43 disbursements were not coded to the proper account code.

- Departments of the county utilize fleet cards for fuel purchases. However, the disbursements are not reviewed by fiscal court, and documentation of reviews conducted by the departments was not sufficient.

According to the county treasurer, individuals sometimes make purchases prior to requesting purchase orders. In these instances, the fiscal court will issue payment requests when invoices are received. Additionally, fuel card disbursements are not reviewed by anyone in the finance office because the fiscal court relies on the individual departments to review the transactions.

The issues noted above could result in line-items being over budget, claims being paid which are not valid obligations of the fiscal court, inaccurate reporting, and misappropriation of assets.

Strong internal controls require purchase orders be approved and issued prior to items being ordered and expenses being incurred. Also, strong internal controls dictate that disbursements be coded to the proper accounts. These controls help ensure that the county will be within budget constraints before any liability is incurred. Furthermore, strong internal controls require the fiscal court to review fuel card transactions to ensure they are valid obligations of the fiscal court.

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.

We recommend that the McCracken County Fiscal Court strengthen internal controls over disbursement by ensuring that purchase orders are issued prior to all purchases being made. Additionally, we recommend the fiscal court ensure disbursements are coded to the proper account codes. Furthermore, we recommend the fiscal court review fuel card transactions and document each review.

*County Judge/Executive's Response: The county does not feel that all of the items noted for no PO's were correct.*

- 1.) McCracken County does not issue PO's for any amount of less \$100.00*
- 2.) McCracken County does not issue PO's for any accounts approved by DLG per Standing Order.*
- 3.) McCracken County does not issue PO's for purchases that have been separately approved by court orders.*
- 4.) McCracken County does not issue PO's for amounts paid on contracts that have been separately approved by court orders.*
- 5.) McCracken County does not issue PO's for reimbursing of petty cash funds.*
- 6.) McCracken County does not issue PO's for jail medical expenses due to the nature of such expenses.*

*The finance office will now get an email from departments stating they have reviewed and approve the monthly fuel purchase invoice.*

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

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