



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 Nicholas County Fiscal Court

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statement of the Nicholas 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 Nicholas 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 Nicholas County Fiscal Court failed to implement adequate oversight for disbursements: Our tests of disbursements included an examination of disbursements from the county’s operating funds. We noted the following noncompliance issues:

- One disbursement totaling \$140,484, was not paid timely (within 30 working days of receiving the invoice or bill).
- Eight bids were accepted for road projects but the price paid did not agree to the accepted bid amount. The fiscal court did not insure the correct amount was paid to vendors according to the bid accepted which resulted in the county over paying vendors \$11,623.

The fiscal court did not implement adequate procedures and oversight regarding the preparation, and authorization of disbursements. Additional materials were required for road projects and no change orders were issued to the county resulting in \$11,623 being spent above bid amount. The absence of significant review procedures or oversight also allowed an invoice to not be processed timely and this occurred without detection or knowledge of the fiscal court. Another contributing factor to untimely payments was the absence of an effective purchase order system, which allows management to track outstanding obligations to ensure commitments are not made in excess of available resources/fund balances.

The fiscal court's failure to establish effective internal controls over disbursements resulted in instances of noncompliance and violations of statutes. A lack of proper accounting practices, internal controls, and oversight increases the risk that undetected misstatements will occur. Failure to pay obligations timely is indicative of poor financial management practices and can result in late fees and finance charges, which are a wasteful use of taxpayer resources. It is also a violation of statute for failure to pay invoices within 30 working days of receipt of the invoice or bill.

KRS 65.140 stipulates timely payments to vendors by stating, “[u]nless the purchaser and vendor otherwise contract, all bills for goods and services shall be paid within thirty (30) working days of receipt of a vendor’s invoice except when payment is delayed because the purchaser has made a written disapproval of improper performances or improper invoicing by the vendor or by the vendor’s subcontractor.”

Good internal controls dictate that the bid price agrees with the invoice and that any change orders be approved before payment in order to ensure good use of taxpayer dollars.

We recommend the fiscal court implement strong management oversight and review procedures to prevent and detect errors.

County Judge/Executive’s Response: Will review bills and invoices to make sure they match.

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

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