



Auditor of Public Accounts  
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FOR IMMEDIATE RELEASE

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### **Harmon Releases Audit of Clinton County Fiscal Court**

**FRANKFORT, Ky.** – State Auditor Mike Harmon has released the audit of the financial statement of the Clinton County Fiscal Court for the fiscal year ended June 30, 2020. 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 Clinton 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 Clinton County Fiscal Court did not have sufficient internal controls over credit card disbursements:** This is a repeat finding and was included in the prior year audit report as Finding 2019-003. The Clinton County Fiscal Court has not implemented proper internal control procedures over credit card disbursements. Credit card disbursements had the following deficiencies:

- Nine credit card statements included interest incurred totaling \$163 and three credit card statements included late fees totaling \$103.
- Nine credit card purchases included a total of \$209 in sales taxes.

The Clinton County Fiscal Court failed to implement sufficient monitoring over credit card disbursements. The improper accounting practices, and lack of oversight could result in misappropriation of assets, inaccurate financial reporting, or payment for personal purchases with public funds. Additionally, unnecessary public funds were spent on interest, sales tax, and late fees.

Good internal controls dictate that policies and procedures are in place to ensure that credit card disbursements are not used for unnecessary items and a waste of taxpayer funds. In addition, local governments are tax exempt.

We recommend the Clinton County Fiscal Court implement policies and procedures to ensure disbursements are for purchases that are necessary. Additionally we recommend the fiscal court put into place proper internal controls in order to monitor established policies and procedures are operating effectively therefore, not incurring interest and late payment fees.

*County Judge/Executive's Response: The official did not provide a response.*

**The Clinton County Fiscal Court was in noncompliance and did not have adequate internal controls over the Local Government Economic Assistance (LGEA) fund:** This is a repeat finding and was included in the prior year audit report as Finding 2019-017. The fiscal court expended Local Government Economic Assistance (LGEA) funds on the following unallowable categories: account 04-5080-175, the fiscal court paid the community center custodian \$868; account 04-9100-525, the fiscal court paid insurance on buildings totaling \$12,800; and account 04-9100-531, the fiscal court paid bond premiums of \$204.

The county treasurer did not realize she had paid unallowable expenses from the LGEA fund until informed by the auditors.

The county judge/executive and county treasurer signed the LGEA certification noting funds were expended for the purposes intended and be included in the audit report for compliance with KRS 42.460, but funds were not spent properly.

The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* states, "KRS 42.455(2)(3)(4) specifically prohibits the expenditure of LGEA funds for the administration of government." In addition, KRS 42.460 states, in part, "the audit report shall include a certification that the funds were expended for the purpose intended."

Good internal controls dictate that LGEA funds be spent according to required statutes. We recommend the fiscal court ensure all LGEA funds are expended from the LGEA bank account on allowable disbursements.

*County Judge/Executive's Response: The official did not provide a response.*

**The jailer did not have adequate controls over jail commissary disbursements:** This is a repeat finding and was included in the prior year audit report as Finding 2019-009. The jail did not have adequate controls over jail commissary disbursements. During our testing of jail commissary disbursements for the year ending June 30, 2020, we noted:

- One disbursement totaling \$271 for latex gloves and trash can liners.
- One disbursement totaling \$195 for 13 units of pepper spray.

According to the notes made on the invoices, the jailer considered these purchases as for the safety and welfare of the inmates. However, these purchases are jail equipment and supplies and should have been paid from the fiscal court's jail fund. Failure to provide proper oversight could have led to unnecessary spending of funds, violations of related statutes or fraudulent disbursements.

KRS 441.135(2) states, in part, "[a]ll profits from the canteen shall be used for the benefit and to enhance the well-being of the prisoners[.]" KRS 441.135(3) states, "[a]ll allowable expenditures from a canteen account shall include but not be limited to recreational, vocational, and medical purposes." Good internal controls dictate that only allowable purchases be made from the jail commissary fund.

We recommend that the Clinton County Jailer ensure purchases made with commissary profits are for allowable uses of the funds. We further recommend the fiscal court reimburse the jail commissary \$466 for purchases made from the commissary profits that should have been disbursed from the jail fund.

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*County Judge/Executive's Response: The official did not provide a response.*

*County Jailer's Response:*

- *One (1) disbursement totaling \$271 for latex gloves and trash can liners.*

*\*This was just simply an error.*

- *One (1) disbursement totaling \$195 for 13 units of pepper spray.*

*\*This was a purchase that we lacked the understanding of being an allowable purchase from the Commissary/Canteen Account. No future purchases of this nature will be made.*

**The jailer lacks adequate segregation of duties over accounting functions of the jail commissary fund and jail inmate account:** This is a repeat finding and was included in the prior year audit report as Finding 2019-007. The jailer has a lack of segregation of duties over the jail commissary and inmate account's accounting functions. The jailer's bookkeeper records receipts, prepares deposits, prepares and signs checks, records in the ledgers, and prepares the monthly bank reconciliations without proper oversight.

According to the jailer's bookkeeper, this condition is a result of limited budget, which restricts the number of employees the jailer could hire or delegate to. The lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to the fiscal court.

A proper segregation of duties over the accounting functions, or implementing compensating controls when necessary because of a limited number of staff, is essential for providing protection from undetected errors. Additionally, a proper segregation of duties protects employees in a normal course of performing their daily responsibilities.

We recommend the jailer separate the duties of receiving cash, preparing deposits, writing checks, posting to ledgers, and preparing monthly bank reconciliations. If this is not feasible due to the lack of staff, cross checking procedures could be implemented and documented by the individual performing the procedure.

*County Judge/Executive's Response: The official did not provide a response.*

*County Jailer's Response: Due to lack of staff it is not feasible but we have implemented that all receipts, deposits and monthly bank statements are required to be reviewed and signed off on by a second individual. Checks written require a second signature. The posting to ledgers is prepared by the Administrative Assistant and at any given time the Jailer or Chief Deputy Jailer can access it if there should be any discrepancies or questions.*

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

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