



Auditor of Public Accounts
Mike Harmon

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Harmon Releases Audit of Knott County Fiscal Court

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statement of the Knott County Fiscal Court for the fiscal year ended June 30, 2017. 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 Knott 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 the internal control over financial operations and reporting.

The audit contains the following comments:

The Knott County Fiscal Court did not pay invoices presented to the fiscal court within 30 days of receipt: During the course of our audit we found the following noncompliance issues with disbursements:

- Seventeen invoices totaling \$508,306 were not paid within 30 working days.
- Accrued and paid interest charges totaling \$217 on a credit card.
- Late payment fees totaling \$38 on a credit card.

The fiscal court lacks sufficient oversight and policies and procedures to ensure bills are paid timely. As a result, some vendors were paid outside the 30-day window.

KRS 65.140(2) states “unless the purchaser and vendor otherwise contract, all bills for goods or 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 invoicing by the vendor or by the vendor’s subcontractor.”

We recommend that the fiscal court implement sufficient oversight and policies and procedures to ensure invoices are paid timely.

County Judge/Executive and Treasurer’s Response: The Knott County Fiscal Court continues to strive to pay bills within thirty days. Those bills were paid outside thirty days primarily due to lack of funds.

The Sportsplex lacks internal controls over cash receipts: Several daily cash log sheets did not agree to daily deposit sheets and several daily deposit sheets did not agree to amounts actually deposited per the bank statements.

Management did not review daily activity to ensure cash receipts ledgers agreed to amounts actually deposited. As a result, the Sportsplex could not properly account for all cash received.

Good internal controls require sufficient management oversight be put in place to ensure employees of the Sportsplex follow all required policies and procedures when balancing and depositing daily receipts.

We recommend the fiscal court improve the internal control by reconciling all amounts on the daily deposit report to the underlying documentation on a daily basis.

County Judge/Executive and Treasurer’s Response: The Knott County Fiscal Court has greatly improved internal controls at the Sportsplex. We will continue to make improving internal controls at the Sportsplex a top priority.

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

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