



Auditor of Public Accounts Allison Ball

FOR IMMEDIATE RELEASE

Contact: Joy Pidgorodetska Markland

Joy.Markland@ky.gov

502.352.5216

502.209.2867

Ball Releases Audit of Christian County Fiscal Court

FRANKFORT, Ky. – State Auditor Allison Ball has released the audit of the financial statements of the Christian County Fiscal Court for the fiscal year ended June 30, 2024. State law requires annual audits of county fiscal courts.

Auditing standards require the auditor's letter to communicate whether the financial statements present 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. The audit contains the following findings:

The fiscal court failed to implement effective internal controls over financial reporting: The Christian County Fiscal Court failed to implement effective internal controls over financial reporting leading to errors on the fourth quarter financial report. A summary of the deficiencies includes omitted financial obligations for a radio system upgrade, failed to report acquisition activity for county vehicles leasing, failed to properly report rent and related debt service payments, didn't properly account for county animal shelter, included escrow account that shouldn't be included, failed to properly record a bond fund and associated interest, and omitted grant proceeds.

We recommend the Christian County Fiscal Court strengthen internal controls over financial reporting by ensuring that all of the fiscal court's receipts and disbursements are properly recorded on the ledgers and reported on the county's financial statements, including financing obligation proceeds and grant receipts and disbursements.

County Judge Executive's Response: The Auditors are recommending increased internal controls over financial reporting in the following instances:

- (a) Including funds which were approved at the end of the fiscal year 2024, but no funds had been received or expended. Since we report on a cash basis, these were not included.*
- (b) The KACo Lease in the amount of \$364,943 was included in the 4th Quarter report as issue #10 of the Liabilities report submitted to the Department of Local Government. A copy of the report is available upon request. See Exhibit A for reference.*
- (c) The Hopkinsville Christian County Library pays the library debt. No funds were received or expended by the Christian County Fiscal Court.*
- (d) The Christian County Animal Shelter currently maintains its own bank account for daily receipts and operations. This account will be closed out and a new will be set up under Christian County Fiscal Court.*
- (e) The escrow account was money transferred by the Christian County Clerk and will be sent to the state to be closed out.*
- (f) The various bonds that make up the General Obligation Bond Fund are in accounts held by KACo and US Bank. The funds have not received by Christian County Fiscal Court and since we are cash basis, they have not been shown as income.*
- (g) The grant money received for industrial development was under a different tax ID number than Christian County Fiscal Court. We also received instruction from the grant to not include these funds within our regular funds. See Exhibit B for reference.*

(h) *All transactions not reflected in our cash basis accounting methods will be added by journal entries at the end of the year.*

Auditor's Reply: The Christian County Fiscal Court operates on a regulatory basis of accounting which means cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual. The accounts held by KACo, and US Bank are on behalf of the Christian County Fiscal Court, therefore any receipt or disbursement within these accounts should be accounted for on the financial statements in the same manner as the other fund accounts that are held at local banks. The radio system upgrade was approved, and funds were received into an account held on behalf of the fiscal court prior to the end of the fiscal year ended June 30, 2024. The sheriff's vehicles lease was included as a long-term liability section of the financial statement; however, the acquisition activity should have been included in the receipts and appropriation ledgers and financials. The Hopkinsville Christian County Library debt is in the name of the Christian County Fiscal Court, the payments made by the library should be accounted for as a receipt and disbursement. The Christian County Animal shelter account is currently an account of the Christian County Fiscal Court; however, all receipt and disbursement activity are not accounted for properly on the financial statements. Finally, the Industrial Development is considered a special government entity and has an unbudgeted fund with the Christian County Fiscal Court, the grant activity should have been accounted for under the unbudgeted fund. We reviewed the exhibits provided by Christian County Fiscal Court and there are no changes to the finding.

The fiscal court's Schedule of Expenditures of Federal Awards (SEFA) was materially misstated: During testing of the Christian County Fiscal Court's SEFA, auditors found it was understated by \$1,644,406. The treasurer corrected her copy of the SEFA after the misstatement was caught.

We recommend the Christian County Fiscal Court implement effective internal controls over reporting expenditures of federal awards to ensure amounts reported on the SEFA represent actual federal awards expended during the corresponding fiscal year in accordance with 2CFR 200.510(b).

County Judge Executive's Response: The Schedule of Expenditures of Federal Awards is an additional report separate from the financial statements. The financial statements were correct with all revenue and expenditure correctly reported. The SEFA report had the expenditures separated by fiscal year of which the expenses were incurred, and one expenditure was mistakenly left off of the report. The State Auditors provided the County Treasurer with a corrected and updated report format for future reporting of SEFA expenditures. The report was corrected immediately upon notice of errors.

The fiscal court had inadequate controls over disbursements resulting in noncompliance: During fiscal year 2024, the Christian County Fiscal Court had internal control deficiencies and non-compliance regarding disbursements. A summary of the deficiencies includes \$5M in purchase orders issued after the invoice date, not adhering to bid requirements, and nearly half of the credit card transactions tested were not in compliance with the county's administrative code.

We recommend the Christian County Fiscal Court strengthen internal controls over disbursements by ensuring that purchase orders are issued prior to all purchases being made to verify that there are sufficient funds and budget to allow for the procurement. We also recommend the fiscal court comply with bidding requirements outlined in the fiscal court's adopted administrative code, and we recommend that disbursements be paid within 30 working days of receipt in accordance with KRS 65.140(2). Lastly, we recommend the fiscal court reimburse employees for meals at per diem rates outlined in the county's administrative code.

County Judge Executive's Response: Our procedures for issuing all purchase orders meet the Department for Local Government guideline requirements on pages 54-57 of the County Budget Preparation and State Local Finance Officer Policy Manual, referenced by the State Auditor's Office. Furthermore, the Department for Local Government and Memorandum issued August 4, 2016, does not offer guidelines for invoice and purchase order dates. See Exhibit C and D for reference.

- Approximately 38 million dollars of purchase orders were processed without any penalties or associated fees. The purchase orders assigned averaged six days from the invoice date. All purchase orders, including quarterly payments, were appropriated in the County Budget.*
- The invoice for \$106,000 was dated 9/26/2023 and was prior to our exit conference with the State Auditors that addressed the issue of putting purchase orders on quarterly payments that are appropriated in our County Budget. Reference Exhibit G.*
- The Christian County Jail did not exceed \$40,000 in kitchen supplies from the referenced vendor per KRS 424.260(1)(b) and see Exhibit E.*
- The one invoices totaling \$1,125.00, were not delivered to the correct address. As a result, we did not receive the invoices in a timely manner. There were no penalties or associated fees paid and mailing envelopes were attached for reference*

to support the delay in mail delivery. Accordingly, Pursuant to KRS 65.140(2), the two invoices were not paid within 30 days due to improper invoicing by the vender. Reference H-J for mailing issues due to incorrect address.

- *It has been the County's travel policy to reimburse at the high rate per diem when County Jail Employees travel out of state. The Christian County Jail operates 24/7 and they do not always have the option to stop at specific times or locations due to transporting or monitoring inmates. The County's Administration Code will be updated to reflect this policy pursuant of KRS 68.005(2).*

Auditor's Reply: The Department for Local Government guideline requirements state that purchases shall not be made without approval by the judge/executive (or designee), and or/a department head. A purchase order that is dated after the invoice date indicates that a purchase was made prior to approval. A strong purchase order system is essential to ensure there are sufficient funds and budget available to allow for a purchase to be made. The Christian County Jail exceeded \$30,000, as outlined in the Christian County Administrative Code, in kitchen supplies, therefore the jail should have followed procurement procedures. In addition, the county's administrative code states employees are to be paid a per diem when in travel status. Employees using the credit card is in violation of the county's administrative policy because the employees are receiving actual reimbursement. We reviewed the exhibits provided by Christian County Fiscal Court and there are no changes to the finding.

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.

