



**Auditor of
Public Accounts
Allison Ball**

Graves County Fiscal Court

Audit

FRANKFORT, Ky. – State Auditor Allison Ball has released the audit of the financial statements of the Graves 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 Graves 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.

Finding: The fiscal court does not have adequate internal controls over disbursements

Of the 87 disbursements tested, 41 invoices, totaling \$2,431,797, had purchase orders that were not authorized until after the expenses had already been incurred. The fiscal court failed to establish appropriate internal controls over the purchase order system and disbursement process. According to staff, purchase orders are often issued and dated when the invoices are received. The fiscal court's failure to establish effective internal controls over disbursements could result in inaccurate financial reporting, misappropriation of assets, cash flow problems, overspent line-items, and claims being paid that are not valid obligations of the fiscal court.

Recommendations

We recommend the Graves County Fiscal Court strengthen internal controls over disbursements by requiring that purchase orders be issued prior to all purchases being made.

County Officials Response

County Judge/Executive's Response: Graves County Fiscal Court is continuing to improve on our Purchase Order System, disbursements, receipts and overall day to day operations to help minimize any problems for the future.

Finding: The fiscal court failed to approve cash transfers prior to them being made by the county treasurer

Of the 12 cash transfers tested, five transfers, totaling \$883,292, were approved by the fiscal court, however, they were approved after the treasurer had already moved the funds. One transfer totaling \$225,000 was not approved at all.

Recommendations

We recommend that all cash transfers be presented to and approved by the Graves County Fiscal Court prior to being made by the county treasurer.

County Officials Response

County Judge/Executive's Response: The Graves County Fiscal Court approves all budgeted cash transfers from the County Treasurer at each Fiscal Court meeting.

Auditor's Reply: While all but one of the transfers were approved, they were not approved before the treasurer made the transfer.

Finding: The fiscal court did not maintain a complete and accurate schedule of leases

The fiscal court leases assets from various vendors. While the county maintained a schedule of leases, the schedule was not complete and accurate, excluding a lease agreement for medical equipment. According to staff, the lease agreement was erroneously excluded from the schedule because the county has 40 lease agreements, and the terms of those agreements change each year, making it easy to overlook. Because the schedule of leases did not include the lease for medical equipment, current year payments were misstated by \$116,561, and outstanding lease obligations were misstated by \$1,049,045. Additionally, the fiscal court was not in compliance with the requirements of GASB Statement 87.

Recommendations

We recommend the Graves County Fiscal Court maintain a complete schedule of all leases and follow the standards set forth by GASB 87 to ensure note disclosures are complete and accurate.

County Officials Response

County Judge/Executive's Response: The Graves County Treasurer, and Finance Officer are working diligently to ensure the schedule of leases is reported properly.

Finding: The fiscal court does not have adequate controls over financial reporting

Line-item budget amounts reported on the Fourth Quarter Financial Statement did not agree with the original budget passed by the fiscal court. Due to a lack of internal controls, clerical errors were made on the Fourth Quarter Financial Statement. The errors were not caught because the financial statement was not compared to the original budget to ensure that the two documents matched.

Recommendations

We recommend the Graves County Fiscal Court strengthen internal controls over financial reporting by ensuring the quarterly financial statements are thoroughly reviewed and free of clerical errors. We further recommend that the quarterly reports be compared to the original budget and budget amendments to ensure budget amounts reported on the Fourth Quarter Financial Statement are correct.

County Officials Response

County Judge/Executive's Response: The financial statements will be reviewed by both County Treasurer, and Financial Officer to ensure there are no errors in the reporting of our financial statements.

Finding: The fiscal court did not accurately report debt liabilities

The fiscal court did not accurately report debt liabilities on the Fourth Quarter Financial Statement. The county reported no outstanding debt on the liabilities section of the 2024 quarterly financial statement. However, the confirmed principal balance of the Graves County Fiscal Court debt was \$113,160.

Recommendations

We recommend the Graves County Fiscal Court review debt schedules and the debt liabilities section of the quarterly financial statements to ensure all outstanding principal and interest are reported accurately.

County Officials Response

County Judge/Executive's Response: The Graves County Fiscal Court has debt purchase of a Body Scanner that former Graves County Jailer purchased that was not approved by the Graves County Fiscal Court. This will be reported on current year budget.

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

