

BORLAND  
BENEFIELD**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Mayor and City Council  
City of Oak Grove, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Oak Grove, Kentucky (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 29, 2021. Our report includes a reference to other auditors who audited the financial statements of the Oak Grove Tourism and Convention Commission (the Tourism Commission), as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2020-1 that we consider to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **City of Oak Grove, Kentucky's Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Borland Benefield, P.C.

Birmingham, Alabama

June 29, 2021

**CITY OF OAK GROVE, KENTUCKY**

**Schedule of Findings and Responses  
For the Year Ended June 30, 2020**

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**2020-1 – Segregation of Duties and Oversight of Accounting Functions**

*Criteria:* Management is responsible for the preparation and fair presentation of the City's financial statements; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Ideally, the key functions of an accounting system should be segregated.

*Condition:* During our audit we identified accounting functions being performed that lacked adequate segregation amongst the staff without proper mitigations or review. Specifically, one or more City employees associated with the custody of assets records journal entries to the general ledger and reconciles internal accounting records. These functions are incompatible as they involve the custody of the asset, recording of transactions and subsequent reconciliation of those transactions. Additionally, there were no documented review and approvals by an individual outside of that accounting function.

*Cause:* Due to a limited number of staff and significant turnover of personnel in the Finance Department within the fiscal year, incompatible work functions were often performed by the same individual and lacked the appropriate review and approval by an individual outside of that accounting function.

*Effect:* A lack of segregation of duties increases the risk of material misstatements and that such material misstatements would not be quickly identified. As a result, material adjusting journal entries were required to correct certain financial statement accounts.

*Recommendation:* We recommend that the functions associated with the custody of assets be segregated from the functions associated with the accounting for and recording transactions to the extent possible through staff assignments and secondary approvals.

*Management's Response:* Management is in agreement with our recommendation.