



**Auditor of  
Public Accounts  
Allison Ball**

# Boyle County Fiscal Court

## Audit

**FRANKFORT, Ky.** – State Auditor Allison Ball has released the audit of the financial statements of the Boyle County Fiscal Court for the fiscal year ended June 30, 2023. 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 Boyle 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 fourth quarter report was not prepared accurately and was materially misstated.**

This is a repeat finding and was included in the prior year audit report as finding 2022-001. The following inaccuracies were noted during the review of the fourth quarter report for FY 2023:

- The fourth quarter report summary page showed receipts and disbursements amounts by each fund that did not agree to the totals calculated on the detailed fund receipts and disbursements sheets.
- The budgeted receipt and disbursement amounts on the fourth quarter report did not agree to the budget and budget amendments approved by the Department for Local Government (DLG):
  - Receipts – the fourth quarter report budgeted receipts were \$52,345,910 and the total approved budgeted receipts were \$45,591,509, resulting in a \$6,754,400 overstatement of the receipts budget on the fourth quarter report.
  - Disbursements – the fourth quarter report budgeted disbursements were \$47,722,737 and the total approved budgeted disbursements were \$47,425,868, resulting in a \$296,869 overstatement of the disbursements budget on the fourth quarter report.
- In the receipts section, the cash transfer in and out amounts do not agree to each other or when total together reconcile to zero.
- The disbursements line item transfer amounts do not in total reconcile to zero.
- When reconciling the fourth quarter report amounts to the supporting receipts and disbursements ledgers, significant differences were noted, resulting in several adjustments which, in total, are material to the financial statement.
- The county did not account for purchasing a CD of \$500,000 in May 2023 from the general fund, and they did not account for the interest earned on the CD as of June 30, 2023, of \$1,975. This resulted in adjustments to the ledgers. It was also noted the CD purchase was made with a cash withdrawal from the general fund, not a bank account transfer or check.
- Fourth quarter report capital asset purchases were overstated upon review of expenditure transaction detail. It was noted that various capital asset expenditure line items incorrectly included budget line item transfers, not actual expenditures.

## Recommendations

We recommend the fiscal court implement procedures for the county judge/executive or her designee to document a review each quarterly report to ensure:

- The total receipts and disbursements by fund detail agrees to the totals presented on the summary page of the quarterly report.
- Budgeted receipt and disbursement amounts approved by DLG are reported accurately on the quarterly report. This review should be evidenced by the reviewer's initials on the quarterly report before being submitted to DLG.
- Expenditures made by the county should be made within budget and budget amendments made and approved by fiscal court if additional expenditures are needed, and should be made by bank transfer or with a written check only.
- The cash transfer in and out amounts agree to each other or when totaled together reconcile to zero. These transfer amounts should be approved by fiscal court and documented in the fiscal court minutes.
- The disbursements line item transfer amounts agree to zero, and agree to ledger activity. Transfers between line item expenditures should not affect the actual expenditure amount but the total budget available to be used for the line item.
- The data presented on the fourth quarter report for receipts and disbursements, for each fund, should agree to the supporting accounting ledgers, including budget amount, budget amendments, transfers, amounts received, and amounts disbursed.
- The totals on the quarterly report should be checked for accuracy.

The review should be evidenced by initials on the quarterly report and supporting ledgers by someone not involved in the preparation of the quarterly report

## County Officials Response

*County Judge/Executive Response: We agree with the Auditor's comments. A new Treasurer has been hired and new software has been implemented that will help balance and reconcile all revenue and disbursements. The County Judge is reviewing the monthly bank statements and reports for accuracy.*

## Finding: Did not prepare correct or timely bank reconciliations.

During the process to reconcile bank activity to the fourth quarter report, the following issues were noted related to bank reconciliations for June 30, 2023:

### General Fund – General Fund Account

Nine out of the 12 monthly bank reconciliations were completed two or more months passed the month end. Bank reconciliation for year-end incorrectly reported amounts as deposits in transit and reported several checks incorrectly as outstanding checks.

### General Fund – Money Market Account

Four out of the 12 monthly bank reconciliations were completed two or more months passed the month end. Also, the bank reconciliation for year-end was done incorrectly due to incorrect opening balance being used.

### General Fund – Facility Expansion

Four out of the 12 monthly bank reconciliations were completed two or more months passed the month end.

### Public Works Fund

Four out of the 12 monthly bank reconciliations were completed two or more months passed the month end. Also, the bank reconciliation for year-end noted two checks that were for the EMS Fund not the Public Works Fund as outstanding and they cleared before year-end. Further, the bank reconciliation incorrectly reported four checks outstanding that cleared before year-end.

#### Jail Bank Account

Five out of the 12 monthly bank reconciliations were completed two or more months passed the month end. Also, the bank reconciliation for year-end was done incorrectly as a deposit in transit was reported as outstanding but actually cleared the bank in May 2023 and one check was reported incorrectly as outstanding but cleared before year-end.

#### Jail Restricted Bank Account

Five out of the 12 monthly bank reconciliations were completed two or more months passed the month end.

#### LGEA Fund Bank Account

Six out of the 12 monthly bank reconciliations were completed two or more months passed the month end. The bank account was closed at one bank and opened at another bank in January 2023. In the closing of the bank account at the old bank, the bank balance was overdrawn. The bank charged an overdraft fee, but they refunded it to the account upon closing of the account.

#### E911 Fund

Four out of the 12 monthly bank reconciliations were completed two or more months passed the month end. Also, the bank reconciliation for year-end incorrectly reported deposits in transit, but there were no outstanding items for year-end.

#### EMS Fund

Four out of the 12 monthly bank reconciliations were completed two or more months passed the month end. Also, the bank reconciliation for year-end incorrectly reported two checks as outstanding.

#### Fleet Management Fund

Ten out of the 12 monthly bank reconciliations were completed two or more months passed the month end. Two bank reconciliations were not done at all.

#### Joint Jail Fund

Four out of the 12 monthly bank reconciliations were completed two or more months passed the month end.

#### Clerk's Storage Fee Fund Bank Account

Four out of the 12 monthly bank reconciliations were completed two or more months passed the month end. A check was issued on February 24, 2023, in the amount of \$9,628, and it was reported as outstanding as of June 30, 2023, but cleared the bank on March 2, 2023. A deposit of \$4,400, was reported as a deposit in transit as of June 30, 2023. This amount was the April 2023 clerk storage fees the county clerk paid to the fiscal court timely, but the check was not deposited until September 2023.

#### ARPA Grant Fund

Five out of the 12 monthly bank reconciliations were completed two or more months passed the month end.

#### Opioid Fund

Five out of the 12 monthly bank reconciliations were completed two or more months passed the month end.

#### Payroll Revolving Fund

Six out of the 12 monthly bank reconciliations were completed two or more months passed the month end.

#### Health Insurance Fund

Five out of the 12 monthly bank reconciliations were completed two or more months passed the month end.

## **Recommendations**

We recommend the fiscal court implement procedures to ensure:

- All bank statements for all bank accounts held by the fiscal court are reconciled to the ledgers monthly and accurately.

- The bank reconciliation work is documented on the bank statements with the reconciliation maintained with the bank statements.
- The bank reconciliations are done by someone who is not posting receipts and disbursements to the ledgers, or they are reviewed by someone who does not post to ledgers. The review should be documented by initials of the reviewer on the bank reconciliations.
- The monthly bank reconciliations are presented with the monthly financial reports for each fund to the fiscal court for their review and approval each month. The review and approval of the financial reports and bank reconciliations should be documented in the fiscal court minutes.

## County Officials Response

*County Judge/Executive's Response: Treasurer did not share that she could not get the bank statements to balance with the ledger. She force-balanced and then presented the reconciliation to the Judge/Executive for review. Fiscal Court was unaware of any issues. Bank reconciliations are now performed and submitted to the Fiscal Court at the second meeting of the month.*

## Finding: Did not have adequate controls over cash transfers.

The Boyle County Fiscal Court did not have adequate internal controls over cash transfers. During the review of cash transfers for the FY 2023, totaling \$19,084,192, the auditor noted 14 of 29 transfers reviewed, totaling \$12,148,739, were not approved by the fiscal court. Also, on the fourth quarter report, transfers in and out did not net to zero across funds, and transfers on the disbursements section of the fourth quarter report did not net to zero as mentioned in finding at 2023-001.

## Recommendations

We recommend the Boyle County Fiscal Court improve internal controls over monitoring cash transfers made between funds during the fiscal year. An employee independent of the financial reporting process should review the ledgers and bank statements periodically throughout the year to make sure no unauthorized transfers are being made, ensure all transfers are approved by the fiscal court and ensure that all transfers in and out are reported accurately on the ledgers and the fourth quarter report.

## County Officials Response

*County Judge/Executive's Response: County Treasurer has been informed that all cash transfers shall be presented to Fiscal Court for approval going forward.*

## Finding: Did not report collections for city of Danville occupational tax on county ledgers accurately.

The Boyle County Fiscal Court collects occupational tax on behalf of the City of Danville, as their agent, per ordinance. From testing ten companies for occupational tax payments collected by county occupational tax office, none of the payments for the City of Danville were posted to county receipts ledgers, totaling \$2,083,011, and five payments to the county were not posted to the county receipts ledgers, totaling \$182,424. We tested five companies for net profits tax and found that all five payments to the City of Danville were not posted to the county receipts ledgers, totaling \$114,509 and four payments to the county were not posted to the county receipts ledgers, totaling \$81,826. Upon county staff inquiry, they looked up these individual transactions in the ledgers and found all occupational tax payments and net profit tax payments to the county \$182,424 plus \$81,826, respectfully.

## Recommendations

We recommend the Boyle County Fiscal Court:

- Review all occupational tax and net profit tax receipts deposited to the license tax fee bank account and ensure they are correctly posted to the county receipts ledgers for FY2023.

- Implement procedures to ensure that all net profit tax and occupational tax receipts collected for the county and for the City of Danville are posted accurately on the receipts ledgers each month.
- Consider switching to a reliable accounting software system that will produce the same ledger information, whether requested in a report for a specific time period or researched as an individual transaction.

## County Officials Response

*County Judge/Executive's Response: The Tax Account has never been reflected on the budget. The account is used as a collection account with revenue sent monthly to the City of Danville and Boyle County Fiscal Court.*

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



209 St. Clair Street | Frankfort, KY 40601 | 502.564.5841 | [www.auditor.ky.gov](http://www.auditor.ky.gov)

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