Auditor of
Public Accounts
Allison Ball

Calloway County Fiscal Court

Audit

FRANKFORT, Ky. – State Auditor Allison Ball has released the audit of the financial statements of the Calloway 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 Calloway 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: General Fund Transfers In and Out Were Materially Overstated

Calloway County's fourth quarter financial statement was materially misstated. The General Fund consists of an operating account and a money market account. Funds between these accounts are frequently transferred back and forth. In July 2022, the county transferred $450,000 from the money market account to the operating account. The county treasurer recorded this transaction as an interfund transfer rather than an inter-account transfer, and the fiscal court failed to catch this error during their review of the treasurer's monthly report. As a result, interfund transfers in and interfund transfers out of the General Fund were overstated by $450,000 each.

Recommendations

We recommend the county strengthen internal controls over financial reporting. This should include a thorough review of the receipts and disbursements ledgers and financial reports to verify all transactions are valid and properly recorded.

County Officials Response

County Judge/Executive's Response: The treasurer's office switched from [software name redacted] to [software name redacted] in October 2022. Since the switch was mid FY the treasurer and assistant treasurer had to go back and enter everything from July to October manually. The original transaction of $450,000 was in [software name redacted] correctly but was manually entered into the [software name redacted] incorrectly which is what the auditors were looking at. During this transition, the treasurer's office had been advised by a representative from [software name redacted] on how to enter transfers.

Finding: The Calloway County Fiscal Court Failed To Implement Effective Internal Controls Over Disbursements

The Calloway County Fiscal Court failed to implement effective internal controls over disbursements. We tested 73 disbursements totaling $5,760,495 and noted the following issues:

• Five disbursements totaling $492,699 did not have purchase orders.

• Twenty-eight disbursements totaling $2,831,800 had purchase orders that were issued after the expense had already been incurred.

• The county did not adhere to bidding requirements for road paving when the total amount paid to the vendor exceeded $30,000.

• Two invoices totaling $148,958 were not paid within 30 working days.

• One disbursement in the amount of $91 was not presented to the fiscal court for approval prior to payment.

- Finance charges were incurred due to a credit card payment being late.
- Encumbrances were not reported on the fourth quarter financial statement.

Recommendations

We recommend the Calloway County Fiscal Court strengthen internal controls over disbursements by ensuring that purchase orders are issued prior to all purchases being made. We also recommend the fiscal court comply with bidding requirements outlined by KRS 424.260. We also recommend the fiscal court comply with KRS 65.140 by ensuring all invoices are paid within 30 days. We recommend the fiscal court ensures all credit card payments are made timely to prevent finance charges being incurred on late payments. Finally, we recommend the fiscal court ensures that any open purchase orders created before the end of the fiscal year are reported as encumbrances of the fourth quarter financial statement.

County Officials Response

County Judge/Executive's Response: The Calloway County Fiscal Court will strengthen internal controls in all areas that were recommended.

The audit report can be found on the auditor's website.

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