



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 Clark County Fiscal Court

FRANKFORT, Ky. – State Auditor Allison Ball has released the audit of the financial statements of the Clark 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 Clark 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 provide adequate oversight over accounting, reporting, and financial management practices: Numerous deficiencies were noted in the county's internal control structure over their financial management practices, which resulted in numerous and pervasive deficiencies. The fiscal court failed to implement proper internal controls for payroll, disbursements, federal programs, and revolving accounts, failed to maintain an accurate capital asset schedule and Schedule of Expenditures of Federal Awards (SEFA), and failed to maintain adequate records for federal awards and the treasurer's settlement. Please refer to the full report for details.

We recommend the fiscal court segregate duties and implement strong oversight over receipts, disbursements, bank reconciliation processes, and reporting. If segregation of duties is not possible, then the fiscal court should continue to implement compensating controls by monitoring the financial activities of the fiscal court and continue to document this review.

County Judge/Executive's Response: See Appendix A

The fiscal court failed to implement proper internal controls over disbursements: The fiscal court did not follow proper procedures and requirements for disbursements of county funds. The following deficiencies were noted during the testing of 104 disbursements: one was recorded as an incorrect check number; sixteen payments were past due; eighteen lacked documentation of approval by the fiscal court; five lacked bid documentation; fourteen lacked a purchase order, invoice, or other supporting documentation; and one was missing a copy of the check.

We recommend the county monitor disbursements to ensure procurement procedures are followed properly for all purchases.

County Judge/Executive's Response: See Appendix A

The fiscal court failed to implement proper internal controls over payroll: We tested 22 employees from one pay period and noted the following: one county employee's timesheet was unable to be located; the county attorney's assistant did not maintain a timesheet; employees are not working full-time hours following the administrative code but receive benefits; and the fiscal court did not maintain an approved salary schedule.

We recommend the fiscal court implement procedures to ensure that all employees who are non-exempt as defined by state law prepare and sign a timesheet for each pay period and have employees' supervisors sign the timesheets to evidence their review that hours documented on the timesheet are accurate. We recommend the fiscal court maintain all timesheets for each pay period.

as required by state law. Also, we recommend the county follow the administrative code in regard to hours worked to be considered full-time along with maintaining an approved salary schedule.

County Judge/Executive's Response: See Appendix A

The fiscal court lacks adequate segregation of duties over cash and receipts: The county treasurer prepares deposit tickets and posts receipts to the receipt ledger for all receipts for all funds without any documented review from an independent party. There was no evidence of review of bank reconciliations, monthly reports, and the county's financial statements also do not appear to have been properly reviewed prior to submission.

We recommend the fiscal court implement segregation of duties over cash, receipts, and the reporting processes. If this is not possible due to a lack of staff, then the fiscal court should implement compensating controls.

County Judge/Executive's Response: See Appendix A

The fiscal court did not prepare an accurate Schedule of Expenditures of Federal Awards in a timely manner and failed to remit the SEFA to the Department for Local Government: The SEFA was not prepared until after auditors requested it during fieldwork and was not remitted to the Department for Local Government (DLG). In addition, the SEFA did not accurately list all federal program monies expended in fiscal year 2023, leading to an adjustment of \$132,900 to add an additional program.

We recommend the county establish procedures to ensure that the SEFA is prepared accurately and remitted timely to DLG.

County Judge/Executive's Response: See Appendix A

The fiscal court materially misstated their financial statement and did not properly report outstanding liabilities: The fiscal court materially misstated the amount of financing obligation proceeds by \$1,205,000; the total included proceeds previously reported in the prior fiscal year that were removed. The county did not properly report the total interest owed on most of its debt obligations on June 30, 2023. Interest payments totaling \$71,917 that were made prior to June 30th were not accurately reflected in the county's liability schedule included with their fourth quarter report.

We recommend the Clark County Fiscal Court ensure that proceeds for any new debt incurred be reported timely under the correct fiscal year. We also recommend they review their debt schedules and compare them to the original amortization schedules annually before submitting the finalized fourth quarter report to the Department for Local Government.

County Judge/Executive's Response: The official did not provide a response.

The fiscal court did not maintain adequate internal controls over revolving accounts: During our review of revolving accounts and reconciliation, we noted that all revolving accounts and the insurance account are not being properly reviewed and reconciled. The following will be reported as part of the General Fund balance as of June 30, 2023, for the following accounts: the payroll fringe account did not reconcile near zero, the payroll insurance account did not reconcile near zero, the old payroll account was not closed, and the old fringe account was not closed.

We recommend that the fiscal court implement internal controls over revolving and payroll-related account reconciliations to prevent misappropriation of assets. We also recommend the old payroll and fringe accounts be closed and balances be transferred.

County Judge/Executive's Response: See Appendix A

The fiscal court does not have adequate internal controls over federal programs: There are not adequate processes in place to ensure compliance requirements for federal programs. The fiscal court did not define, maintain, or periodically evaluate the skills and expertise needed among its members to enable them to follow-up on previously identified noncompliances. Further, the fiscal court did not maintain an organizational structure that facilitated effective reporting and other communications about internal control over compliance among various functions and positions of management.

We recommend the county establish and maintain effective internal control over federal awards that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

County Judge/Executive's Response: The official did not provide a response.

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

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