



**Auditor of
Public Accounts
Allison Ball**

Clark County Fiscal Court

Audit

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, 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 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.

Finding: The Clark County Fiscal Court Failed To Implement Proper Internal Controls Over Disbursements

This is a repeat finding and was included in the prior year audit report as finding 2023-002. The Clark County Fiscal Court failed to implement effective internal controls over disbursements. The following deficiencies were noted during the testing of 35 disbursements:

- A check for \$100,000 remained outstanding for more than six months without follow up during the reconciliation process.
- Four disbursements with the incorrect check number posted to the ledger.
- One disbursement with the incorrect check date posted to the ledger.
- Five disbursement were incorrectly coded resulting in a total misstatement of \$466,854.
- Five disbursements were not paid within 30 business days of invoice receipt.
- Thirty-four disbursements had a purchase order dated after the purchase occurred.
- Three disbursements did not follow proper sealed bidding, state contract, or noncompetitive negotiation procedures.
- The fiscal court misstated its financial statement by not properly recording and reporting encumbrances.

Recommendations

We recommend the county strengthen internal controls to ensure all disbursements have adequate support, approval prior to purchase, and are paid within the required 30 business days. We also recommend the fiscal court review the Local Government Model Procurement Code and the Clark County Administrative Code and strengthen internal controls over large purchases to ensure compliance with procurement requirements. Finally, we recommend the fiscal court ensures that any open purchase orders created before the end of the fiscal year be reported as encumbrances on the fourth quarter financial statement.

County Officials Response

Former County Judge/Executive’s Response: The check for \$100,000.00 that remained outstanding for more than six months was a check made out to parks and recreation department. They held onto the check instead of depositing it. The county should have followed up on the check and will do so in the future.

Incorrect check numbers posted to the ledger occurred to re-issuing voided checks and using the same check number. All new checks will have new numbers.

Incorrectly coded disbursements did occur but will be minimized in the future due to closer review and proper purchase order classifications.

Late disbursements not being paid were mainly due to receiving the invoices late due to mail and the time frame of preparing a bills list for fiscal court approval. More bills are being reviewed on line to speed up this process instead of waiting on the mail.

We are looking into possible software understanding and data entry to ensure that disbursements are properly reported.

Finding: The Clark County Fiscal Court Failed To Implement Proper Internal Controls Over Payroll

This is a repeat finding and was included in the prior year audit report as finding 2023-003. The Clark County Fiscal Court failed to implement internal controls over payroll resulting in the following:

- Timesheets were not available to support hours paid for two employees.
- Employees received benefits without meeting the full-time definition according to the fiscal court's administrative code.
- An approved salary schedule was not maintained.

Recommendations

We recommend the fiscal court implement procedures to ensure that each employee prepares and signs a timesheet for each pay period and that the employee's supervisor signs the timesheets to evidence review and verification 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 maintain an approved salary schedule and only classify employees full-time when they work sufficient hours to meet the definition of a full-time employee under the administrative code.

County Officials Response

Former County Judge/Executive's Response: County attorney assistants have not maintained timesheets in the past. We will have to discuss this process with the county attorney to ensure that all non-exempt employees timesheets will be maintained.

Employees were working 35 hours a week while the administration code stated that full time was 37.5 hours. The administrative code has been changed to reflect that 35 hours per week is full time.

The approved salary schedule will be submitted to the fiscal court and approved in early January to ensure that the salary schedule is maintained.

Finding: The Clark County Fiscal Court Lacks Adequate Segregation Of Duties Over Receipts

This is a repeat finding and was included in the prior year audit report as finding 2023-004. The Clark County Fiscal Court lacks adequate segregation of duties over the receipt process. The county treasurer prepares deposit tickets and posts receipts to the receipt ledger for all receipts for all funds without consistent documented review from an independent party. There was inconsistent evidence of review of bank reconciliations and monthly reports, and the county's financial statements do not appear to be properly reviewed prior to submission.

Recommendations

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

County Officials Response

Former County Judge/Executive's Response: The Treasurer will provide an up-to-date copy of the bank statement that is being reconciled and submit it with the deposit tickets and ledger receipts to ensure that the financial statements are properly reviewed.

Finding: The Clark County Fiscal Court Failed To Prepare And Submit An Accurate And Timely Schedule Of Expenditures Of Federal Awards (SEFA) To The Department For Local Government

This is a repeat finding and was included in the prior year audit report as finding 2023-005. The fiscal court failed to prepare an accurate and complete Schedule of Expenditures of Federal Awards (SEFA) for fiscal year 2024. The SEFA was not submitted to the Department for Local Government (DLG) and was only prepared after auditors requested it during fieldwork. The SEFA originally reported total federal expenditures of \$469,052 but omitted expenditures for two major federal programs totaling \$4,545,746, resulting in a corrected total of \$5,014,798.

Recommendations

To ensure compliance with federal and state requirements, we recommend the fiscal court implement the following measures:

1. Develop and document formal procedures for preparing the SEFA, including detailed steps for identifying, compiling, and reporting all federal expenditures.
2. Designate staff responsible for overseeing the preparation and review of the SEFA.
3. Conduct regular training on federal reporting requirements and internal controls.
4. Establish a process for timely submission of the SEFA to DLG, including a schedule for preparing the SEFA in advance of the fourth-quarter reporting deadline.

County Officials Response

Former County Judge/Executive's Response: No one in the fiscal court was aware that a SEFA report was due and that it had to be submitted to DLG. We are implementing a procedure for preparing the reports in a timely manner before it is due. More training will be provided to staff.

Finding: The Clark County Fiscal Court Fourth Quarter Report Was Materially Misstated

The Clark County Fiscal Court is required to prepare a financial statement in accordance with regulatory requirements. The financial statement is used to accumulate and report all receipts, disbursements, and ending balances of the funds maintained by the fiscal court. Failure to implement adequate controls over the financial reporting process resulted in the following:

- Transfers for various funds totaling \$2,210,684 were recorded incorrectly.
- A \$190,100 reimbursement was recorded incorrectly.
- Bank deposit errors totaling \$15,263 were recorded in the General Fund.
- The Road Fund recorded \$401,844 of road materials incorrectly.
- The Jail Fund reported debt proceeds of \$361,748 that were actually received in fiscal year 2023.

Recommendations

We recommend the Clark County Fiscal Court review their financial reporting process and implement an effective control structure to ensure that financial reports in the future are accurate.

County Officials Response

Former County Judge/Executive's Response: These findings were mainly due to a weak understanding of the ARPA accounting methods and how to classify the transfers. The quarterly report was corrected to reflect the proper reporting. The quarterly report will be reviewed to ensure that it is accurate and that the transfer orders and bank activities reconcile.

Finding: The Clark County Fiscal Court Did Not Maintain Adequate Internal Controls Over Revolving Accounts

This is a repeat finding and was included in the prior year audit report as finding 2023-007. The Clark County Fiscal Court maintains revolving accounts for various expenses and these funds are not reconciled properly. The following was noted at June 30, 2024:

- The payroll fringe account had an unexplained balance of \$85,701.
- The payroll insurance account had an unexplained balance of \$17,039.
- The old payroll account had an unexplained balance of \$5,058.
- The old fringe account had an unexplained balance of \$37,344.

Recommendations

We recommend the fiscal court close any old or unused accounts. The fiscal court should also review these balances to determine the correct fund to transfer the unexplained amounts and implement procedures to ensure that any revolving accounts are reconciled accurately.

County Officials Response

Former County Judge/Executive's Response: These discrepancies occurred when the County switched payroll reporting vendors. The old payroll accounting system was not closed out when the new one came online. This changeover system occurred in 2022, before the present county judge/executive and the treasurer took over. We are trying to correct these errors with the appropriate government departments.

Finding: The Clark County Fiscal Court Lacks Adequate Internal Controls Over Federal Program Administration And Reporting

Federal Program: 21.027 – COVID-19 - Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)

Award Number and Year: 2024

Name of Federal Agency and Pass-Thru Agency: U.S. Department of the Treasury

Compliance Requirements: Reporting, and Allowable Costs/Cost Principles

Type of Finding: Material Weakness and Noncompliance

Amount of Questioned Costs: \$0

COVID Related: Yes

The Clark County Fiscal Court does not have adequate internal controls over the administration and reporting of federal program expenditures. The fiscal court relies on external consultants to prepare and submit all required legal and U.S. Department of the Treasury compliance reports and does not perform an independent review prior to submission. As a result, \$38,927 expenditures that were reimbursed under another federal program were improperly included in the Revenue Loss calculation. These amounts were not identified or corrected by the fiscal court prior to submission due to the lack of independent review. Management subsequently replaced the expenditures with qualifying CSLFRF expenditures, and no questioned costs resulted. The fiscal court also did not retain a copy of the ARPA grant agreement and could not provide it to auditors upon request. This limited the fiscal court from demonstrating compliance with award terms and conditions.

Recommendations

We recommend the Clark County Fiscal Court:

1. Establish and document internal control procedures to ensure that all financial reports prepared by external consultants are reviewed and approved by county officials before submission.
2. Perform an independent review of all revenue loss calculations to confirm that expenditures are not being claimed under multiple federal grants.
3. Implement a grant documentation policy to ensure all federal grant agreements, amendments, and compliance-related documents are maintained in an accessible and secure manner.

Former County Judge/Executive's Response: The Fiscal Court did not want to hire an outside firm back

County Officials Response

in 2022 to aid in the understanding and reporting of Federal filings. At this time, the fiscal had very limited understanding of Federal filings, especially about how to handle the ARPA monies. In FY2024, after several mistakes were pointed out, the Fiscal Court agreed to bring in the consulting firm of [name redacted] to prepare the necessary paperwork for filings. The Court had to rely on this outside source to maintain the compliance filings without much review. We are going to work with [name redacted] to implement a formal review process. The related county employees will have training as time and schedules permit.

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

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