



**Auditor of
Public Accounts
Allison Ball**

Fulton County Fiscal Court

Audit

FRANKFORT, Ky. – State Auditor Allison Ball has released the audit of the financial statements of the Fulton 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 Fulton 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: Failed to implement adequate internal controls over accounting functions and financial reporting including adequately segregating duties.

The Fulton County Fiscal Court lacks adequate segregation of duties and failed to provide any documented oversight and monitoring of accounting functions and financial reporting for fiscal year ended June 30, 2024. The county treasurer is responsible for preparing deposits, posting to the receipt ledger, preparing checks, posting to the disbursement ledger, performing monthly bank reconciliations, and preparing monthly, quarterly, and annual financial reports. There were no functioning and documented internal controls in place to monitor, provide oversight, or check the work performed by the county treasurer in fiscal year 2024, which allowed the county treasurer to have total control over the accounting and reporting functions. The fourth quarter financial statement submitted to the Department for Local Government did not accurately reflect the financial activities of the county as it was materially inaccurate.

Recommendations

We recommend the Fulton County Fiscal Court segregate the duties involved in recording receipts and disbursements, reconciling bank accounts, and preparing monthly, quarterly, and annual financial reports so that one individual does not have control over the entire accounting and reporting functions. If segregation of duties is not possible, appropriate management oversight should be provided to ensure the completion of accurate financial reports, including budgetary amounts, actual receipts, and disbursements, as well as other required schedules. This oversight should include a documented review of financial reports by management to verify amounts recorded and reported are accurate.

County Officials Response

County Judge/Executive's Response: "The Finance Officer and the County Treasurer have worked diligently to properly implement dual control of the county's finances. The Finance Officer continues to keep thorough spreadsheets and copies of checks and bills while the Treasurer reconciles and keeps records in accounting software. The two are then able to compare and verify each other. In addition, after the County Treasurer prepares the monthly financial reports, the Judge Executive and the Deputy Judge review and sign off on them prior to the Fiscal Court meeting. This is another step implemented to keep adequate internal control. Due to the small number of staff employed by the Fiscal Court will continue to implement these same procedures in the future."

Finding: Outstanding debt balances were materially understated and proper notification was not provided to the state local debt officer for new debt.

For the fiscal year ending June 30, 2024, the fiscal court reported outstanding debt principle of \$2,405,114 and related interest of \$732,386 on the fourth quarter financial report submitted to the Department for Local Government. However, as of June 30, the confirmed outstanding debt principal balance was \$3,704,028 and related interest of \$773,069. Also, the fiscal court failed to file an "Intent to Finance" document to the state local debt officer.

Recommendations

We recommend the fiscal court implement internal control procedures to ensure outstanding principal and interest balances are accurately reported. At a minimum, the fiscal court should compare the schedule of liabilities to debt schedules per the debt agreements. We also recommend the fiscal court comply with the terms of debt agreements by providing audited financial information as required in the debt agreement. Additionally, the fiscal court should provide proper notification to the state local debt officer before entering into debt agreements when required.

County Officials Response

County Judge/Executive's Response: "The Fulton Court Fiscal Court received a SAFE loan during this Fiscal Year; this was a 0% interest loan. This money was not dispersed, therefore note added to the county's outstanding debt. All monies related to this loan remain on account with the Fulton County Fiscal Court. The county objects to the use of the word "Materially" in the finding as this seems to indicate that there was an intent to misstate the amount owed by the County. The Treasurer has been informed by the Auditor that ANY funds which are owed to a third party, whether dispersed or not, must be added to outstanding debt. In the future, the Treasurer will endeavor to list ALL funds which are owed to a third party and report accordingly to the State Local Debt Officer for New Debt beginning with the FY 25 reports."

Finding: Failed to prepare a schedule of expenditures of federal awards for the 2024 fiscal year.

The fiscal court failed to prepare and submit a Schedule of Expenditures of Federal Awards (SEFA) for fiscal year 2024 to the Department for Local Government (DLG). During the fiscal year, the county expended \$844,807 in federal funds which exceeds the threshold for a single audit.

Recommendations

We recommend the fiscal court prepare and submit a SEFA along with the fourth quarter financial report submitted to DLG. We also recommend the fiscal court implement procedures to ensure management is aware of all the reporting requirements.

County Officials Response

County Judge/Executive's Response: "Due to being unaware of the source of certain grants, the Treasurer did not record these grants properly and therefore inadvertently crossed the threshold amount requiring a Single Audit of Federal Grants. A Single Audit of Federal Grants was completed contemporaneously with the current audit to which the Court is responding. Keeping a detailed record of any and all Federal grant money received in a more detailed manner throughout the year will correct this finding. The Court believes that no further corrective action is needed since the Single Audit of Federal Grants for FY 24 has been completed without findings and does not anticipate that this finding will be an issue in the future."

Finding: Failed to implement adequate internal controls over disbursements

The Fulton County Fiscal Court failed to implement proper internal controls over disbursements. We tested 34 transactions totaling \$2,939,684, which resulted in the following issues:

- Thirty-two disbursements totaling \$2,641,962 had a purchase order that was dated after the invoice date.
- Seven disbursements totaling \$554,369 were paid prior to fiscal court approval.
- Thirteen disbursements totaling \$838,132 were not paid within 30 working days of the receipt of the invoice.
- Eight credit card transactions totaling \$14,186 were tested. Proper documentation to support \$276 of credit card charges was not maintained and transactions totaling \$445 were miscoded in the disbursement ledger.
- Encumbrances for FYE June 30, 2024, were not accurately reported on the fourth quarter financial statement.
- The fiscal court did not properly procure bids for food services or inmate uniforms at the detention center, which totaled \$670,401 and \$88,572 respectively.
- The fiscal court purchased a truck for the road department in the amount of \$50,370 without soliciting bids or following proper state price contract procedures for vehicles.

Recommendations

We recommend the Fulton County Fiscal Court implement internal controls over disbursement and procurement processes to ensure purchase orders are issued prior to purchases being made. Additionally, we recommend that outstanding purchase orders be listed as encumbrances on the fourth quarter financial statement. Lastly, we recommend that proper procurement procedures be established to ensure compliance with state statutes and county policy.

County Officials Response

County Judge/Executive's Response: "The Finance Officer and the County Treasurer have worked diligently to properly implement dual control of the county's finances. The Finance Officer continues to keep thorough spreadsheets and copies of checks and bills while the Treasurer reconciles and keeps records in accounting software. The two are then able to compare and verify each other. In addition, after the County Treasurer prepares the monthly financial reports, the Judge Executive and the Deputy Judge review and sign off on them prior to the Fiscal Court meeting. This is another step implemented to keep adequate internal controls. The Fiscal Court objects to this finding as we believe that the controls implemented are adequate given the number of employees available within the office to perform the segregation of duties."

Finding: Failed to approve quarterly financial reports and an annual settlement for the fiscal year.

Required quarterly financial statements were not presented to the fiscal court. Nor was a final settlement prepared and presented to the court. The treasurer did present monthly financial reports.

Recommendations

We recommend the fiscal court implement internal control procedures to ensure compliance with state regulations by requiring the county treasurer and the county judge executive to present all required financial reports and an annual settlement to the fiscal court.

County Officials Response

County Judge/Executive's Response: "The Treasurer prepares the quarterly settlements and annual reports that are requested by the Fiscal Court in accordance with the DLG Budget Manual and the Kentucky Revised Statutes which state in part: "The county judge/executive shall, within fifteen (15) days after the end of each quarter of each fiscal year, prepare a statement showing for the current fiscal year to date actual receipts from each county revenue source, the totals of all encumbrances and expenditure charged against each budget fund, the unencumbered balance of the fund, and any transfers made to or from the fund. The county judge/executive shall post the statement in a conspicuous place in the courthouse near the front door for at least ten (10) consecutive days and transmit a copy to the fiscal court and to the state local finance officer. The statement shall be read at the next meeting of the fiscal court." KRS 68.360(2) These reports are placed on the Fiscal Court agenda as a standing item once per quarter and annually and are approved by the Court on a quarterly as well as annual basis. The court minutes reflect approval of quarterly financial reports and annual settlement for the fiscal year. The Fulton County Fiscal Court objects to this finding."

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



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