



**Auditor of  
Public Accounts  
Allison Ball**

# Gallatin County Fiscal Court

## Audit

**FRANKFORT, Ky.** – State Auditor Allison Ball has released the audit of the financial statements of the Gallatin 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 Gallatin 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: Does not have adequate controls over disbursements.**

The Gallatin County Fiscal Court does not have adequate controls over disbursements. The following issues were noted during the testing of 37 individual disbursements, two months of credit card disbursements, and one month of fuel card disbursements:

- Twenty-three disbursements were not presented to the fiscal court before payment.
- Purchase orders were not issued for 36 disbursements.
- The county judge/executive’s signature stamp was used to sign checks for 35 disbursements.
- Purchase orders were not issued for disbursements completed using a credit card.
- Reviews of fuel purchases were not performed or documented by respective department heads.

### **Recommendations**

We recommend the fiscal court strengthen controls over disbursements by:

- Requiring disbursements to have purchase orders submitted prior to approval. All purchase orders should be completed properly with dates, amounts, account codes, evidence of employee preparing the purchase order, evidence of department head approval and county judge/executive approval (as needed for larger purchases).
- Ensuring claims are presented to the fiscal court prior to payment.
- The county judge/executive authorizing, in writing, the use of a signature stamp, and expressly designate in this writing those persons authorized to use the stamp for official purposes in affixing the official’s signature. A log of authorized usage of the stamp should be maintained.
- Reviewing fuel charges documented by the reviewers’ initials on the department’s fuel charges report. The review should be completed by someone with knowledge of work schedules and assignments before payment is issued by the fiscal court.

### **County Officials Response**

*County Judge/Executive’s Response: The 23 in question: Gallatin County Sheriff - program support are to cover payroll expenses weekly and vehicle maintenance. Payroll expenses are pre-approved expense.*

*[Redacted] Contract - paving bids were let and the fiscal court was aware of the roads and cost related to paving prior to invoicing.*

*Carroll Co. Detention - our fiscal court meetings happen before we get the invoicing from the Jail, as the Co. Treasurer always ask for approval to pay the invoice when it comes in so that we are not late in*

paying. We generally know the costs from prior months.

*Miracle of TN/KY - this was a park and recreation grant that was approved by the fiscal court.*

*Village of Ripley - this was a sheriff purchase of a Tahoe fully equipped, and we had 48 hours to decide to purchase. This saved taxpayers in Gallatin County well over \$25,000 to purchase used and equipped rather than brand new.*

*The remaining items are Airport related to the Airport Grant. These expenditures are approved by Kentucky Department of Aviation and the Federal Aviation Administration, and these items do show on the claim's ledger for the fiscal court's review.*

Auditor's Reply: All disbursements require approval by the fiscal court prior to being paid unless they are included on the standing order list approved by the Department for Local Government (DLG). The disbursements above were not approved by the fiscal court and were not included on the standing order list. Furthermore, DLG requires purchase orders to be issued for all expenditures of the fiscal court.

### **Finding: Did not deposit occupational tax checks timely.**

During testing of occupational tax receipts, five companies were selected, and the following issues were noted:

- Two instances were for returns received on July 27, 2023 and the payments totaling \$67,222 were deposited on August 8, 2023, which is a delay of 8 business days from receipt to deposit.
- One instance was for a return received on August 1, 2023 and the payments totaling \$31,490 were deposited on August 8, 2023, which is a delay of 5 business days from receipt to deposit.
- One instance was for a return received on January 17, 2024 and the payments totaling \$15,503 were deposited on January 26, 2024, which is a delay of 7 business days from receipt to deposit.
- One company's four returns were filed online with no date of receipt documented in supporting records to be able to verify if deposit was delayed, or not. These returns totaled \$889,281.

### **Recommendations**

We recommend the Gallatin County Fiscal Court implement procedures to ensure deposits are made on a daily basis.

### **County Officials Response**

*County Judge/Executive and Treasurer's Response: There isn't anyone that can do deposits on my behalf as Treasurer. Yes, other immediate needs sometimes get in the way of me getting to the local bank for daily deposits. Some deposits require investigation; if they are grant related and what fund, where they originated so that the deposit goes into the correct fund. There were changes at the local bank that took an hour to get deposits posted – which led me to purchase a check scanner so that I can do all checks at my desk. All cash must still be taken to the bank for depositing. If the four were filed online, then the deposit was posted timely, and the bank statement would reflect this.*

Auditor's Reply: The Department for Local Government as well as good internal controls require deposits to be made daily. Tax returns filed by mail or online should have documentation of when they were received.

### **Finding: Schedule of Expenditures of Federal Awards (SEFA) was materially misstated.**

The county treasurer prepared the Schedule of Expenditures of Federal Awards (SEFA) that included a total of \$3,063,436 in federal expenditures. As a result of auditor inquiry, review of supporting grant documents, invoices, and accounting ledger detail, it was determined that the SEFA overstated federal expenditures by \$2,288,767. The county treasurer accepted corrections to the SEFA for the errors disclosed above.

## Recommendations

*We recommend the county implement procedures to ensure they review all grant-related documentation to determine if the grants are state funded or federal funded or both, to assist with tracking and reporting federal expenditures made by the county at the end of each fiscal year on the SEFA.*

## County Officials Response

*County Judge/Executive's Response: Federal and state awards relate mainly to the Gallatin County Airport. These grants were mix of state and federal grant monies. Some of the grant monies were federal must came through the state. This is very confusing for myself and the auditor. I supplied all documents that were available to me in turn I provided those to the auditor.*

*Auditor's Reply: Federal Uniform Guidance requires that entities receiving and expending federal awards must track and report those grants and their corresponding expenditures each fiscal year on the SEFA to determine if a single audit is required.*

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

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