



**Auditor of
Public Accounts
Allison Ball**

Knott County Fiscal Court

Audit

FRANKFORT, Ky. – State Auditor Allison Ball has released the audit of the financial statements of the Knott 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 Knott 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 fiscal court does not have adequate internal controls at the Knott County Sportsplex.

The Knott County Sportsplex collects money for rental fees, membership fees, concessions, front door ticket sales, the driving range, arcades, advertisements, and vending machines. During basketball season, referees are paid out of the front door cash receipts. The sportsplex director calculates the sales report and deposit, faxes the daily checkout sheet to the county treasurer, and makes the daily deposit. If referees are paid out of the cash drawer, the amount is listed on the daily checkout sheet to reduce cash receipts from the day's business.

Recommendations

Due to the high volume of cash transactions and not accounting for significant amounts of revenue, we recommend all disbursements paid to referees be made by check only.

County Officials Response

County Judge/Executive's Response: The Fiscal Court has implemented various controls to help this situation, for example a point of sale system. The Court is always trying to increase internal controls at the Sportsplex.

Finding: The fiscal court lacks adequate internal controls at the Mine Made Adventure Park and Campground.

The Knott County Mine Made Adventure Park and Campground collects money for campsite and cabin rentals, RV storage rentals, parking fees for ATV rides, and sells shirts, ice, and firewood. One employee is in charge of the operations, which involves collecting, reconciling, and depositing money into the bank on a weekly basis instead of daily.

Recommendations

Due to the high volume of cash transactions, we recommend the county issue pre-numbered receipts for all monies collected, including rentals and sales. Also, we recommend depositing money into the bank daily instead of on a weekly basis.

County Officials Response

County Judge/Executive's Response: The Fiscal Court has implemented various controls to help this situation, for example a point of sales system. The Court is always trying to increase internal controls at the Mine Made Park.

Finding: The fiscal court did not maintain proper FEMA documentation.

Knott County had severe flooding in July of 2022 and qualified the fiscal court to receive federal funding to recover from the disaster. Paperwork is maintained to document and track work that is necessary and to determine the portion eligible for coverage by FEMA. The fiscal court did not maintain proper FEMA documentation. Out of 36 disbursements tested, 11 did not have any accompanying information that would detail the expected scope of work or cost totaled \$1,212,805 in questioned cost. The fiscal court has not sufficiently overseen the expenditure of federal funds and did not prioritize the implementation of an effective internal control system. Tracking of the FEMA projects was consistently executed on completed projects but was not available for the in-progress projects that were tested.

Recommendations

We recommend the Knott County Fiscal Court implement adequate internal controls to ensure federal compliance requirements are met. In addition, the fiscal court should maintain documentation for all project activity to effectively track work that is necessary and to determine the portion eligible for coverage under Federal programs.

County Officials Response

County Judge/Executive's Response: To be clear the documents had to be presented to FEMA to get reimbursement, this was done. The Fiscal Court will endeavor to make sure the FEMA files are updated and complete after FEMA reimbursement.

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

