



**Auditor of
Public Accounts
Allison Ball**

Taylor County Fiscal Court Audit

FRANKFORT, Ky. – State Auditor Allison Ball has released the audit of the financial statements of the Taylor County Fiscal Court for the fiscal year ended June 30, 2025. 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 Taylor 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: Fourth quarter report and budget did not include the city occupational tax fund.

The Taylor County Fiscal Court does not have adequate controls over the reporting and budgeting process. The fiscal court's fourth quarter report was materially misstated and disbursements for the City Occupational Tax Fund were not budgeted. The fiscal court collects occupational tax and net profit tax on behalf of the City of Campbellsville, as its agent, per an interlocal agreement. The city occupational tax funds were deposited into and disbursed from the fiscal court's City Occupational Tax Fund bank account. The county treasurer separately maintains a receipts ledger, disbursements ledger, and financial report for the fund; however, the fund was not recorded on the fiscal court's fourth quarter report or included in its budget resulting in material misstatements on the report submitted to the Department For Local Government. The City Occupational Tax Fund's financial activity was understated by the following: beginning balance in the amount of \$138,985; receipts in the amount of \$3,800,943; disbursements in the amount of \$3,921,003; and the ending balance in the amount of \$18,925.

Recommendations

We recommend the Taylor County Fiscal Court implement procedures to review and ensure that future quarterly reports are accurate and include all funds handled by the county treasurer. We also recommend the Taylor County Fiscal Court ensure that all funds handled by the county treasurer are included in the fiscal court's budget.

County Officials Response

This agreement has been sufficient since 2009. The City of Campbellsville audits this fund annually and controls the account.

This is considered a custodial fund and does not have to be included in the Taylor County Fiscal Court budget.

Auditor's Reply: As noted above, the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* requires all receipts collected and disbursed by the fiscal court to be reported on the fourth quarter report. The fiscal court maintains control of the account since the city occupational tax is collected by a county employee and deposited to a bank account controlled by the county treasurer, who in turn prepares monthly reports, reconciles the bank account, and disburses funds to the city.

Finding: Did not have strong internal controls over handling of disbursements.

We tested 73 operating disbursements with the following issues noted:

- The fiscal court replaced three culverts for a cost of \$93,900, \$93,900, and \$72,850 without properly advertising for bids.
- The jailer made payments to a contracted food service vendor at the jail totaling \$338,546 in fiscal year ending June 30, 2025, without properly advertising for bids.
- The jail approved invoices for payment for food service for June 8, 2024 to October 18, 2024 during fiscal year 2025 that had been overbilled by the vendor by at least \$22,500, which reflects the cost of an estimated 15,411 meals. The jailer discovered the overbilling and obtained a credit for \$22,500 from the vendor.
- Five disbursements in the amount of \$157,142 were not paid within 30 working days of receiving the invoice.
- Thirteen disbursements in the amount of \$3,523,736 did not have a purchase order issued for invoices.
- Twenty-nine disbursements in the amount of \$1,245,229 had purchase orders issued after the invoice date.
- The fiscal court is not properly maintaining supporting documentation for encumbrances of \$427,793 reported on the fourth quarter financial report.
- One invoice for workers compensation was overpaid by \$58,000. The invoice did not agree to the cancelled check. A refund was received from the vendor.

Recommendations

We recommend the fiscal court improve procedures over disbursements to ensure the proper handling of disbursements.

County Officials Response

County Judge/Executive's Response: This has been discussed and action is planned to correct the problems.

Finding: Lacks internal controls over receipts and deposits for off-site collections.

This is a repeat finding and was included in the prior year audit report as finding 2024-002. The following issues were noted with regard to internal controls over receipts and deposits for off-site collections:

- Checks for two returns of \$110,939 out of 39 returns of \$812,856 tested for county occupational taxes collected were not deposited daily. Money was deposited 6 to 8 days after collection.
- Checks for one return of \$9,600 out of 10 returns of \$46,800 tested for county net profits license fees collected were not deposited daily. Money was deposited 6 days after collection.
- Checks for one return of \$9,539 out of 6 returns of \$25,539 tested for city net profits license fees collected were not deposited daily. Money was deposited 6 days after collection.
- Checks for four receipt tickets of \$2,086 for two days of five days of \$2,633 collections tested for animal shelter receipts were not batched daily. These receipts were also not deposited daily. Money was deposited 5 to 36 days after collection.
- Transient tax of \$46,739 in checks collected for five deposits tested collected by the Taylor County Tourism Commission was not deposited daily. The checks were deposited 3 to 25 business days after collection.

- Receipts from the Taylor County Tourism Commission are not being batched daily. Daily check-out sheets are prepared monthly and turned over to the county treasurer monthly for deposit. Two monthly reports did not include detail of transient tax collected. Transient tax collections for fiscal year 2025 were \$154,685.

Recommendations

We recommend the Taylor County Judge/Executive and fiscal court strengthen internal controls to ensure daily check-outs are performed, receipts are processed daily, and money is deposited timely by off-site collection locations. We also recommend employee providing oversight should document this by signing or initialing the supporting documentation.

County Officials Response

County Judge/Executive's Response: Controls of receiving money is managed by the Animal Shelter Director. I will discuss with her better accountability of these monies and will make sure that the money received comes to the Treasurer weekly.

Finding: Does not have adequate controls over the commissary and inmate funds.

The Taylor County Jail failed to establish and implement adequate controls over the commissary and inmate accounts. As a result, the following deficiencies were noted during the audit:

- The jail commissary annual financial statement presented to the fiscal court was incorrect and did not include all required information with the ending balance reconciled to the bank balance. The commissary report included non-commissary receipts of \$347,841 and non-commissary disbursements of \$389,493 that were paid from the account used as a depository for both commissary and inmate trust funds. The non-commissary transactions are related to funds collected from the inmates on behalf of the fiscal court.
- The jailer maintains one bank account for both inmate funds and commissary funds. This bank account was not being properly reconciled to show the separate ending balances for the inmate trust fund and the commissary fund. As a result, the inmate trust fund ending balance of \$1,665 was comingled with the commissary fund ending balance and not removed from the year-end report. In addition, the inmate trust fund ending balance was not properly reconciled to the total individual inmate balances.
- Inmate account deposits are not being made daily. Receipts for all seven days tested (February 2, 2025 to February 8, 2025) were not deposited to the bank until ten to fourteen days later.
- The jailer contracted inmate telecommunications services from one vendor totaling \$117,798 in fiscal year ending June 30, 2025, without obtaining bids.
- The jailer purchased nicotine products for use as commissary inventory from one vendor totaling \$113,255 in fiscal year ending June 30, 2025, without obtaining bids.
- The jailer purchased general commissary inventory items from one vendor totaling \$68,639 in fiscal year ending June 30, 2025, without obtaining bids.
- A lack of segregation of duties over jail commissary activity was noted. The jailer's bookkeeper collects cash and issues receipts, prepares and makes deposits, writes and signs checks, posts to receipt and disbursement ledgers, prepares bank reconciliations, and prepares reports. While the jailer tried to implement some compensating controls, they were not sufficient to prevent the findings noted above.

Recommendations

We recommend the jailer comply with applicable state law by presenting an accurate financial statement to the county treasurer. The financial statement should be compiled using financial information from receipts and disbursement journals, with the ending balance reconciled to the bank balance, and properly reconciled to total inmate individual balances. The jailer should account for inmate deposits, which are custodial funds held in trust by the jail, separately from the canteen funds, which belong to the jail. We also recommend that the jailer make deposits intact daily. Furthermore, we recommend the jailer segregate incompatible duties over the accounting functions. If segregation of duties is not feasible due to lack of staff, we recommend the jailer implement and document compensating controls and supervisory review. Lastly, we recommend the jailer comply with state and county bidding requirements for disbursements over \$40,000.

County Officials Response

Jailer's Response: Moving forward, an effort will be made to include additional controls in the maintenance of the commissary fund.

Finding: Improperly disbursed routine medical fees from commissary fund.

The jailer made disbursements totaling \$116,120 from the commissary fund to the jail's medical services provider for medical care provided to the inmates. The base amount the jail pays under its contract with the medical services provider covers basic medical care and staffing at the jail. The jail paid the base amount through the budgeted funds appropriated by the fiscal court for medical care. However, the jailer used commissary funds to pay a monthly cost pool amount and overages due under the contract to reimburse outside providers for medical care, some of which may have been "necessary care." Payment of a county inmate's necessary medical, dental and psychological care is the responsibility of the fiscal court. The jail commissary funds should only be expended to enhance the well-being of the inmates or the safety and security of the jail. No supporting documentation was maintained to determine if the disbursements from the commissary account to pay the cost pool amount and overages were for enhanced medical services for the inmates.

Recommendations

We recommend the jailer strengthen internal controls and management oversight to ensure the jailer does not pay for necessary medical expenses using the commissary fund in the future.

County Officials Response

Jailer's Response: Alternate funds will be considered for medical costs to better align with KRS 441.135(2), 441.045(3), 441.045(4), and 441.045(5).

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

