



**Auditor of
Public Accounts
Allison Ball**

Trigg County Fiscal Court

Audit

FRANKFORT, Ky. – State Auditor Allison Ball has released the audit of the financial statements of the Trigg 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 Trigg 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 failed to implement adequate internal controls to ensure complete and accurate accounting records were maintained

There were no functioning internal controls in place over the work performed by the county treasurer. The fiscal court failed to provide adequate oversight, allowing the county treasurer complete control over the accounting and reporting functions. The audit noted several deficiencies and errors, including inaccurate budgeted amounts on the fourth quarter financial report, several funds were overspent, improper debt service payments were made, among other errors.

Recommendations

We recommend the Trigg County Fiscal Court strengthen oversight and internal controls in order to ensure complete and accurate accounting records are maintained and that no one individual has control over the accounting functions without establishing checks and balances to verify that amounts recorded and reported are accurate.

County Officials Response

County Judge/Executive's Response: The county will maintain more controls.

Finding: The fiscal court materially misstated outstanding debt obligations

The fiscal court did not report all outstanding debt bearing the county's name on the Schedule of Outstanding Liabilities as of June 30, 2022. Debt obligations principal and interest balances related to the Justice Center Bonds, 2023 Pennyryle Area Development District bonds, hospital lease, senior citizen center lease, and Pennyryle Area Development District financing agreement were misstated by \$5.48M.

Recommendations

We recommend the fiscal court establish control procedures to ensure all outstanding debt obligations bearing the county's name are accurately reported on quarterly financial reports.

County Officials Response

County Judge/Executive's Response: We will confirm that the report sent in is accurate.

Finding: The fiscal court did not prepare a financial statement for the Public Justice Center Corporation Fund

The fiscal court maintains an unbudgeted fund, the Public Justice Center Corporation Fund, to account for bond issuance and debt payments related to the construction of the justice center. During fiscal year 2023, this fund received \$909,568 from the Administrative Office of the Courts and expended \$909,051 on debt payments and administrative fees. The fiscal court maintains ledgers related to the Justice Center Fund but did not prepare an annual financial statement.

Recommendations

We recommend the fiscal court establish procedures to ensure compliance with DLG requirements for reporting financial activity related to the Public Justice Center Corporation Fund.

County Officials Response

County Judge/Executive's Response: A spreadsheet was prepared for the PJCC, however, it was not reported with the year end report.

Auditor's Reply: The treasurer maintained a ledger worksheet for the Public Justice Center Corporation Fund; however, an annual financial statement was not prepared.

Finding: The fiscal court did not have adequate controls over disbursements

During fiscal year 2023, the Trigg County Fiscal Court had material weaknesses in internal control and noncompliances over disbursements. The following findings were noted regarding Trigg County Fiscal Court's disbursements: the purchase order system did not function as designed and resulted in several errors, itemized invoices were not maintained for several credit card purchases, and competitive bidding procedures were not followed for a truck purchase.

Recommendations

We recommend the fiscal court strengthen internal control procedures regarding purchase orders by requiring purchase orders to be issued prior to purchases being made or services rendered in accordance with DLG requirements. We further recommend that proper documentation be maintained for all disbursements to properly support claims, and competitive bidding procedures be followed for all applicable purchases over the bidding threshold.

County Officials Response

County Judge/Executive's Response: Purchase Orders will have the account numbers on them going forward.

Finding: The fiscal court did not maintain a complete and accurate schedule of leases

The fiscal court failed to maintain a complete and accurate schedule of leases for the 2023 fiscal year. This schedule is a required part of the financial statement reporting package required by DLG. While the county maintained a schedule of assets in which they were lessor and lessee, the schedule was not accurate. It included the Pennyriple Area Development District lease that began in fiscal year 2023, and omitted the Administrative Office of the Courts and the Pennyriple Area Development District leases which began during previous fiscal years and were still in effect. During fiscal year 2023, the fiscal court received \$957,910 for property in which they were the lessor, while their schedule only listed \$4,779 received.

Recommendations

We recommend the Trigg County Fiscal Court maintain a complete schedule of all leases and follow the standards set forth by GASB 87 to ensure note disclosures are complete and accurate.

County Officials Response

County Judge/Executive's Response: We will maintain information for the Justice Center.

Finding: The fiscal court failed to implement adequate controls over reconciliations and off-site collections

The fiscal court has not implemented adequate controls over bank reconciliations and receipts collected by off-site locations. The county treasurer performs monthly bank reconciliations with no documented review by the fiscal court or another individual not involved in processing receipts and disbursements. In addition, the fiscal court does not require off-site locations to submit documentation to ensure amounts received are complete and accurate. The fiscal court receives money from off-site locations for concession sales, complex rentals, and recycling fees.

Recommendations

We recommend the fiscal court segregate duties related to monthly bank reconciliations. If segregating duties is not feasible, the fiscal court should implement oversight procedures. All review procedures should be signed and dated by the employee performing the review. We also recommend the fiscal court implement control procedures for receipts collected by off-site locations. At a minimum, the fiscal court should require off-site locations to issue receipts for all monies received and maintain and submit supporting documentation on all amounts collected. In addition, all receipts collected at off-site locations should be turned over to the county treasurer daily to be deposited according to the DLG manual.

County Officials Response

County Judge/Executive's Response: The concessions will be able to hand receipts to all customers. The recycling center will turn their money to the treasurer more often.

Finding: The fiscal court did not have adequate controls over payroll processing

The fiscal court lacks adequate controls over payroll processing. During the course of payroll testing, the following issues were noted: no salary schedule could be obtained for the time period of the audit, vision insurance was incorrectly withheld for one employee, and the jailer's salary was not approved as required by statute.

Recommendations

We recommend the fiscal court approve salaries and hourly wage rates at fixed amounts for all county employees. The fiscal court should also pass a resolution each year detailing the duties to be performed by the jailer and their compensation.

County Officials Response

County Judge/Executive's Response: New payroll system should maintain earnings and deductions.

Finding: The fiscal court failed to properly reconcile the payroll revolving account

The fiscal court's Payroll Revolving Account did not reconcile to zero. For fiscal year ending June 30, 2023, the Payroll Revolving Account had an audited reconciled ending balance of \$30,918. In addition, the treasurer presented a reconciliation for the Payroll Revolving Account that had an ending book balance of \$138,419. That reconciliation did not include retirement liabilities and IRS payments when calculating the book balance.

Recommendations

We recommend the fiscal court implement policies and procedures to ensure proper amounts are transferred to the Payroll Revolving Account from the corresponding operating funds. We further recommend the fiscal court ensure the revolving account reconciles to a zero balance.

County Officials Response

County Judge/Executive's Response: The payroll account has had a higher balance as a precaution, however, a smaller amount will be kept in it.

Finding: The fiscal court failed to implement adequate controls over the Health Reimbursement Account (HRA) Program

The fiscal court does not have adequate control procedures over the Health Reimbursement Account (HRA) program. The HRA is currently set up so that the fiscal court periodically transfers funds into the insurance account. Throughout the plan year, the fiscal court allows the service organization that handles this program to draw lump sum amounts from the insurance account. The service organization sends an email requesting an amount to be withdrawn. There is no documentation as to which employee the draws are for or the balances in each employee's accounts.

Recommendations

We recommend the fiscal court establish oversight procedures for the HRA and maintain documentation on employees' balances to ensure the appropriate amounts are provided to the HRA.

County Officials Response

County Judge/Executive's Response: The amount in the account is overseen by a third party and contributions are made annually by the fiscal court. The amount in the account is known by county officials, however, it doesn't always match up with what our HRA provider has.

Auditor's Reply: The Health Reimbursement Account Administrator is not part of the county's system of internal controls. The county should have established monitoring of the administrator to verify accurate record keeping and reporting.

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

