



**Auditor of
Public Accounts
Allison Ball**

Wolfe County Fiscal Court

Audit

FRANKFORT, Ky. – State Auditor Allison Ball has released the audit of the financial statements of the Wolfe 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 Wolfe 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: Did not have adequate internal controls over disbursements.

This is a repeat finding and was included in the prior year audit report as finding 2022-005. Internal controls over disbursements were not operating as intended. Proper procedures for disbursements were not followed to ensure compliance with the fiscal court's purchasing procedures. The following deficiencies were noted:

- The fiscal court did not issue purchase orders for disbursements totaling \$829,359. .
- Purchase orders issued for 16 of the 89 disbursements tested did not include the purchase order numbers related to the disbursements and the purchase order listing did not include a dollar amount for each purchase order.
- One credit card invoice was paid late and accumulated \$125 of late fees and interest charges.
- One credit card invoice was overpaid in the amount \$23.
- The fiscal court did not follow proper procurement procedures for one disbursement in the amount of \$39,050.

Recommendations

We recommend the fiscal court implement proper internal controls over expenditures and ensure they are operating effectively.

County Officials Response

County Judge/Executive's Response: Wolfe County acknowledges the finding regarding controls over disbursements. It is important to note that the majority of the transactions identified during the audit were monthly, recurring bills such as utilities, lease payments, and other standard operating expenses. These types of disbursements are consistent from month to month and do not require a purchase order under county policy, as they are essential recurring obligations rather than discretionary purchases. The County will continue to ensure that all disbursements are properly reviewed and approved, and that appropriate documentation is maintained to support compliance with internal control procedures.

Auditor's Reply: The Department for Local Government guidelines for purchasing procedures require a purchase order system that prevents disbursement from being made unless there is adequate budget and funds for the expense.

Finding: Did not have adequate internal controls over occupational/payroll tax collection and solid waste collections.

For occupational tax collections, daily tax reports from the tax software system were not reconciled to the deposit and receipt ledger postings and daily deposits were not made. The following exceptions were noted:

- Occupational/payroll tax ledger included \$159 in payments that could not be traced to a deposit.
- Deposits totaling \$8,888 were included on the general ledger, but not the occupational/payroll tax ledger.
- Twenty-one payments totaling \$13,079 received on June 21, 2023, were not posted on the general ledger or deposited until July 7, 2023.
- Deposits examined were made on a weekly basis.

Recommendations

We recommend the fiscal court implement additional controls over occupational/payroll tax collections and solid waste fees collected and maintain adequate supporting documentation of the internal control procedures.

County Officials Response

County Judge/Executive's Response: This finding was brought to our attention in the prior year. During that time, personnel became aware of new reports available within the software that could enhance control over deposits. As these reports were being implemented, it was discovered that the payroll tax ledger software lacked certain configuration settings, resulting in some reporting inaccuracies. During FY2023, the Treasurer and the Occupational Tax Administrator collaborated to adjust the report settings to ensure that all payments were reported accurately. As a result, this finding should be considered corrected in future audits.

Finding: Did not properly budget for and record all debt related disbursements.

The fiscal court executed a loan with KACo on July 21, 2022, to purchase two dump trucks, which were later sold at auction. The receipt of loan proceeds and the purchase of the assets were not reflected in the fiscal court's bank activity, budget process, or fourth quarter financial report as these funds were paid directly to the vendor by the financing entity. All loan proceeds and asset purchases should be included on quarterly financial reports.

Recommendations

We recommend the fiscal court comply with regulatory reporting requirements by budgeting and recording all borrowed money, including those transactions handled by a third-party lender, in order to accurately report financing obligations proceeds received and assets purchased.

County Officials Response

County Judge/Executive's Response: The Fiscal Court acknowledges the comment regarding budgeting for and recording all debt-related disbursements. These transactions involve funds that are never received or disbursed directly by the Fiscal Court. When trucks or similar equipment are purchased, the bank makes payments directly to the vendor, and no monies flow through the County's financial system. Because of this structure, the Fiscal Court has not historically recorded these disbursements in our system.

Finding: Long term liabilities reported on the fourth quarter financial statement were materially misstated.

The fiscal court did not accurately report long term liabilities on the Fourth Quarter Financial Statement. The refunding bond for the Public Properties Corporation Judicial Center Project was not reported. The principal balance outstanding for those bonds was \$4,985,000 and interest outstanding was \$629,150, resulting in an understatement of long-term liabilities totaling \$5,614,150. This misstatement is material in relation to the financial statement.

Recommendations

We recommend the fiscal court implement controls to ensure the amounts reported on the Fourth Quarter Financial Statement for long-term liabilities are complete and accurate.

County Officials Response

County Judge/Executive's Response: The long-term liabilities reported on the fourth quarter financial statement were misstated due to the nature of the Judicial Center Public Properties account. This account represents funds that the Fiscal Court does not receive or handle directly. Instead, the Fiscal Court is provided with quarterly and annual reports, which are formally presented at Fiscal Court meetings for review. Because these funds are not actual monies managed or disbursed by the County, they cannot be recorded in our financial system in the same manner as other transactions.

Auditor's Reply: The Department for Local Government requires all debt the fiscal court is ultimately responsible for to be reported on the fourth quarter financial report.

Finding: Does not have adequate internal controls over the Wolfe County Animal Shelter.

The Wolfe County Fiscal Court operates the Wolfe County Animal Shelter (hereafter referred to as the shelter) for animal welfare in the community. The land for the shelter was donated and the building was constructed with grant funds. The fiscal court pays for the utilities at the shelter and the salary for the shelter's director. The director oversees daily operations at the shelter and also coordinates with various animal rescue organizations to provide foster homes and adoption services for animals at the shelter. Other labor is provided by volunteers.

Recommendations

We recommend the fiscal court consult with the county attorney to review the makeup and control of the animal shelter to determine how it will be operated, managed and controlled in the future. If the animal shelter operations involve a third party, we recommend there be a written agreement between the Wolfe County Fiscal Court and the third party, outlining how each party will contribute to the animal shelter's operations in a more financially transparent manner. Further, we recommend this agreement require periodic financial reporting from the organization to the fiscal court. The finding concerning possible improper expenditures from the organization's account will be referred to the Office of the Attorney General.

County Officials Response

County Judge/Executive's Response: The former Animal Shelter treasurer was responsible for overseeing the animal shelter's daily financial activities, including preparing bank statements, issuing checks, and completing bank reconciliations. The Fiscal Court's role was to provide support services such as building and vehicle maintenance, utilities, and lawn care, while also covering the costs of veterinary care and medications for the shelter animals.

To strengthen internal controls, Wolfe County Fiscal Court has taken corrective action by updating its Administrative Code. The revisions now include detailed job descriptions for all shelter positions, along with clearly defined lines of responsibility and accountability for shelter operations. Furthermore, the Animal Shelter Board is required to submit quarterly reports to the Fiscal Court to ensure ongoing oversight, transparency, and compliance.

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



209 St. Clair Street | Frankfort, KY 40601 | 502.564.5841 | www.auditor.ky.gov
