



Auditor of Public Accounts
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Harmon Releases Audit of Edmonson County Fiscal Court

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statement of the Edmonson County Fiscal Court for the fiscal year ended June 30, 2018. State law requires annual audits of county fiscal courts.

Auditing standards require the auditor’s letter to communicate whether the financial statement presents fairly the receipts, disbursements, and changes in fund balances of the Edmonson 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 115 of 120 fiscal court audits in Kentucky.

As part of the audit process, the auditor must comment on noncompliance with laws, regulations, contracts, and grants. The auditor must also comment on material weaknesses involving internal control over financial operations and reporting.

The audit contains the following comments:

The Edmonson County Fiscal Court lacks segregation of duties over cash, receipts, disbursements, capitals assets, and reconciliations: This is a repeat finding and was included in the prior year audit report as Finding 2017-001. The Edmonson County Fiscal Court lacks adequate segregation of duties over receipts, disbursements, cash (specifically bank reconciliations), and capital assets. The Edmonson County Treasurer is responsible for recording receipts and disbursements in the ledgers, posting to the appropriations ledger, preparing checks, signing checks, and preparing bank reconciliations. Additionally, the county treasurer prepares the capital asset schedule and the monthly, quarterly, and annual financial reports on behalf of the fiscal court. The finance officer collects money, prepares and makes deposits, prepares the master claims list to present to the fiscal court, and occasionally signs checks. The fiscal court failed to

establish adequate management oversight to ensure the completion of accurate bank reconciliations and the proper recording of receipts and capital assets. The fiscal court has implemented compensating controls over disbursements. Claims require supporting documentation and approval of the fiscal court prior to payment. The county judge/executive compares the checks to the supporting documentation for the majority of the claims. He then initials the payable cover sheet and signs the checks. The county judge/executive and the fiscal court review the financial statements prepared by the county treasurer. Copies of the financial statements are included in the fiscal court's minutes. However, during Fiscal Year 2018, the county judge/executive did not prepare checks or maintain an appropriations ledger or designate the finance officer to perform these duties as outline by the Department for Local Government (DLG) in the *County Budget Preparation and State Local Finance Officer Policy Manual*. The finance officer did not have access to the new accounting software to prepare checks or maintain the appropriations ledger.

The county treasurer stated that when the new accounting software was installed, the former county treasurer told the vendor not to put a copy of the accounting software on the finance officer's computer. The former county treasurer had the new accounting software only installed on the county treasurer's computer. The county treasurer also stated she was not aware until attending the DLG budget workshop on March 14, 2019, that the finance officer was required to maintain the appropriations ledger. The fiscal court failed to adequately segregate the duties involved in recording receipts, disbursements, and capital assets, and preparing monthly bank reconciliations. Management also failed to provide adequate oversight regarding the county treasurer's preparation of financial reports.

The lack of adequate segregation of duties, coupled with a lack of adequate management oversight, provides an environment in which an individual could manipulate financial records and misappropriate or misdirect county funds. The following control deficiencies occurred due to the lack of segregation of duties over these areas:

- The fiscal court did not accurately report financial information as reported in Finding 2018-002.
- The fiscal court did not properly reconcile the payroll revolving account as reported in Finding 2018-003.
- The fiscal court did not have adequate internal controls over disbursements as reported in Finding 2018-008.
- The fiscal court did not maintain complete and accurate capital asset schedules as reported in Finding 2018-010.
- The former county treasurer did not deposit \$23,145 payments from the sheriff for franchise taxes and monthly excess fees timely. Checks dated October 31, 2017, were not deposited until December 11, 2017.
- The road fund was overdrawn by \$11,248, on February 13, 2018, resulting in a \$25 overdraft fee.
- The parks and recreation fund was overdrawn by \$141, on September 15, 2017.

The segregation of duties over various accounting functions such as recording receipts and disbursements, preparing bank reconciliations, and preparing monthly, quarterly, and annual

financial reports is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. Appropriate management oversight should be provided to ensure the completion of accurate, timely financial reports. KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the DLG's *County Budget Preparation and State Local Finance Officer Policy Manual* which states the county judge/executive or his designee should, "[p]repare all checks on claims reviewed by the fiscal court" and "[m]aintain an appropriations ledger." The manual also requires, "[d]aily deposits intact into a federally insured banking institution."

We recommend the county judge/executive follow the requirements of DLG or designate the finance officer to prepare checks and maintain the appropriations ledger. Duties should be adequately segregated to ensure that no one person has complete control over the financial activity of the fiscal court. We recommend the fiscal court segregate the duties involved in recording receipts, disbursements, and capital assets, preparing bank reconciliations, and preparing monthly, quarterly, and annual financial reports where possible. If segregation of duties is not possible, due to the limited number of staff, strong oversight should be implemented. The employee providing this oversight should document his or her review by initialing all source documentation.

County Judge/Executive's Response: Office was restructured after termination of previous Treasurer, we have implemented stronger internal controls with a much more strict and accurate check and balance system that includes all office personnel.

The Edmonson County Fiscal Court did not accurately report financial information: This is a repeat finding and was included in the prior year audit report as Finding 2017-002. The Edmonson County Fiscal Court approved the fourth quarter financial report prepared and submitted by the Edmonson County Treasurer on July 9, 2018. The report was not reviewed by another employee to ensure accuracy. The fourth quarter financial report was misstated for budget amendments, receipts, disbursements, transfers in, transfers out, and ending book balance. The misstatements were as follows:

- The total amendments to the budgeted receipts and budgeted disbursements were understated by \$9,353 for all operating funds since the recorded amount was \$328,539 while the Department for Local Government (DLG) approved the amendments to the budgeted receipts and budgeted disbursements at \$337,892. This misstatement was an amendment to the budgeted receipts and budgeted disbursements of the general fund being understated by \$9,353.
- Receipts were overstated by \$25,170 for all operating funds since the recorded amount was \$4,124,499 while audited receipts were \$4,099,329. This misstatement was a combination of the receipts of the general fund being overstated by \$58,002 due to a reimbursement from other funds to correct an error being recorded; the general fund being understated by \$82 due to unrecorded receipts; and the federal community development block grant fund being understated by \$32,750 due to unrecorded receipts of this grant.

- Disbursements were overstated by \$5,237 for all operating funds since the recorded amount was \$4,348,025 while audited disbursements were \$4,342,788. This misstatement was a combination of the disbursements of the general fund being overstated by \$39,338 due to payroll disbursements for other funds being recorded to the general fund; the general fund being understated by \$1,351 due to unrecorded disbursements; and the federal community development block grant fund being understated by \$32,750 due to unrecorded disbursements of this grant.
- Transfers in and transfers out were overstated by \$2,235 for all operating funds since the recorded amount was \$679,363 while audited transfers in and transfers out were \$677,128. This misstatement is a combination of the transfers in of the room tax fund and jail fund overstated by \$700 and \$1,535, respectively, due to posting bank errors as a transfers in. Transfers out of the general fund are overstated by \$2,235 due to posting bank errors as transfers out.
- In addition, transfers in and transfers out were overstated by \$9,556 for all operating funds that have not been corrected and have been included as uncorrected misstatement. The uncorrected misstatement is a combination of the transfers in of the jail fund, parks and recreation fund, and the emergency 911 fund overstated by \$500, \$50, and \$9,006, respectively, due to posting bank errors as transfers in. Transfers out of the general fund and emergency 911 wireless fund are overstated by \$550 and \$9,006, respectively, due to posting bank errors as transfers out.
- The ending book balance as of June 30, 2018, was overstated by \$19,931 for all operating funds since the recorded amount was \$1,598,728 while the audited ending book balance was \$1,578,797. This misstatement was due to failure to transfer from the general fund to the payroll revolving account \$19,931 payroll disbursements recorded to the general fund.
- The former county treasurer inaccurately recorded payments from other governmental funds of \$58,002. General fund receipts reimbursements and payroll correction line items were misstated by \$36,938 and \$21,064, respectively, due to recording reimbursement from other funds to correct a payroll error in January 2018 to these line items. These amounts were removed from the general fund receipts intergovernmental revenues and miscellaneous revenues line items.
- The former county treasurer did not record payments of \$82 to general fund receipts. General fund miscellaneous revenues and interest earned line items were misstated by \$55 and \$27, respectively.
- The receipts and fund balance of the emergency 911 wireless fund are overstated by \$31,044 because five deposits were made to the emergency 911 wireless fund by mistake and not corrected by the former county treasurer. Two deposits in the amount of \$22,825 were deposited to the emergency 911 wireless fund instead of to the general fund understating the receipts and fund balance of the general fund by \$22,825. In addition, three deposits totaling \$8,219 for emergency 911 phone surcharges were deposited to the emergency 911 wireless fund instead of to the emergency 911 fund understating the receipts and fund balance of the emergency 911 fund by \$8,219. We have not corrected these misstatements in the financial statement.
- The former county treasurer inaccurately recorded payments from the state of \$22,825 to emergency 911 fund receipts taxes wireless E911 surcharge line item. This misstatement was due to recording reimbursement under homeland security grant of \$22,800 and drug testing reimbursement of \$25 to this line item. These amounts should have been recorded

to general fund receipts intergovernmental revenues line item for homeland security grant and general fund receipts miscellaneous revenue line items, respectively. We have not corrected these misstatements in the financial statement.

- The former county treasurer inaccurately recorded payments from the state of \$11,595. General fund receipts line items were misstated due to these recording errors, which we have not corrected in the financial statement, as follows:
 - \$329 recorded to taxes tangible personal property tax line item instead of intergovernmental revenues omitted tangible line item.
 - \$7,085 taxes motor vehicle property tax line item should be intergovernmental revenues motor vehicle ad valorem other counties line item.
 - \$45 license and permits telecommunications franchise line item should be miscellaneous revenues drug testing reimbursement line item.
 - \$4,136 intergovernmental revenues emergency management director reimbursement line item should be license and permits telecommunications franchise line item.
- The former county treasurer inaccurately recorded payments from the sheriff of \$124,327. General fund receipts real property taxes line item was misstated by \$101,555 due to recording monthly fees of \$100,819 and franchise taxes of \$736 received from the sheriff to this line item. General fund receipts miscellaneous revenues line item was misstated by \$22,772 due to recording monthly fees received from the sheriff to this line item. \$123,591 and \$736 were reclassified to general fund receipts line items for sheriff fees (pooling) and franchise taxes, respectively.
- The former county treasurer inaccurately recorded payments from the county clerk of \$210,792. General fund receipts excess fees line item was misstated by \$210,792 due to recording monthly fees received from county clerk to this line item. This amount was reclassified to general fund receipts intergovernmental revenues line item for county clerk fees (pooling).
- The former county treasurer inaccurately recorded disbursements payments of \$39,338. General fund disbursements administration line items were misstated by \$39,338 due to recording transfers to the payroll revolving account for payroll expenses of other funds to employer's share social security and employer's share of retirement line items. These line items were misstated by \$28,890 and \$10,448, respectively. The other funds refunded the general fund for these payroll expenses but the disbursements recorded were not reversed. These amounts were removed from the general fund disbursements administration line items.
- The former county treasurer inaccurately recorded disbursements payments of \$1,351. General fund disbursements general government line items were misstated by \$1,351 due to recording payroll and other disbursements wrong. This amount was added to the general fund disbursements general government line items.

In addition, quarterly financial reports for the first and second quarters of Fiscal Year 2018 were not filed timely with DLG. The first quarter financial report due October 20, 2017, was filed February 1, 2018, and the second quarter financial report due January 20, 2018, was filed February 20, 2018.

The misstatements noted above are the result of a weak internal control system over the financial reporting system. The fiscal court failed to realize the importance of strong internal controls over reporting financial information, and instead relied on a single employee without sufficient oversight. The errors were not detected because the fourth quarter financial report was not reviewed by another employee to ensure accuracy. The former county treasurer stated she misclassified disbursements because she booked the disbursements to line items that had sufficient budget available.

Because of this weak internal control system, the amounts reported on the quarter financial reports are not always in agreement with the actual budgeted amounts and the actual transaction amounts. When the amounts reported on the quarter financial reports do not agree with the actual budgeted amounts and the actual transaction amounts, these misstatements occur. In addition, budgeted amounts being misstated could result in over spending budgeted line items. The weak internal control system has also resulted in receipts and disbursements being posted to the wrong line items reducing the usefulness of the financial reports to the public as well as to the fiscal court. The fiscal court needs accurate financial information to oversee the financial condition of the government as well as to prepare future budgets.

KRS 68.020(4) states the county treasurer, “shall keep an accurate detailed account of all money received and disbursed by him for the county, and shall keep books of accounts of the financial transactions of the county in the manner required by the uniform system of accounting prescribed by the state local finance officer.” KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the DLG’s *County Budget Preparation and State Local Finance Officer Policy Manual* which requires the county treasurer to, “[p]repare a quarterly financial statement for the State Local Finance Officer” and “requires the report to be submitted by the 20th of the month following the close of the quarters ending September 30, December 31, March 31 and June 30.” The manual provides a format to be used when preparing the quarterly financial statement. This format includes reporting original budget estimates, budget amendments, actual receipts and disbursements, and total available in each line item. In addition, the manual provides a chart of accounts and states, “[a]ll counties must use the account numbers from the chart of accounts.” Strong internal controls over financial reporting are vital in ensuring the fiscal court’s financial reports accurately reflect the financial activity of the fiscal court. These controls should include an individual independent of the accounting function reviewing the financial reports for compliance with DLG’s reporting requirements.

We recommend the fiscal court implement stronger internal controls over financial accounting and reporting. Internal controls such as a thorough review of quarterly financial reports by someone independent of the accounting function can help detect misstatements and errors that have occurred. This review should include tracing budgeted amounts reported on the reports to the original budget and budget amendments approved by DLG. This review should also include tracing transactions posted to the receipts and disbursements ledgers to actual bank statement transactions. It should also include agreeing fund balances between the quarterly financial reports and bank reconciliations, agreeing bank balances per the bank statements to the quarterly financial reports and bank reconciliations, checking for mathematical accuracy, and verification of bank reconciliation amounts. Ledgers should also be reviewed to verify transactions have been recorded

to the correct account codes. Once the ledgers and reconciliations are deemed accurate, the reviewer should document that fact and submit the review to the fiscal court for approval. By implementing these procedures, the fiscal court can strengthen its internal control system, and help ensure accurate financial reporting.

County Judge/Executive's Response: All Financials Information is now being correctly reported.

The Edmonson County Fiscal Court did not properly reconcile the payroll revolving account: This is a repeat finding and was included in the prior year audit report as Finding 2017-004. The Edmonson County Fiscal Court's payroll revolving account did not reconcile to a zero balance as of June 30, 2018, and the payroll revolving account had a deficit balance. The bank balance as of June 30, 2018, was \$80,144 with outstanding checks of \$4,633, outstanding liabilities of \$93,897, and unpaid liabilities of \$1,544, leaving a deficit balance of \$19,930, for Fiscal Year 2018. On June 24, 2019, the county treasurer transferred \$19,930 from the general fund to the payroll revolving account to eliminate this deficit. Negative audited reconciled book balances were also noted for January 2018, February 2018, March 2018, April 2018, and May 2018 in the amount of \$21,983, \$23,392, \$10,807, \$9,048, and \$9,515, respectively. The payroll revolving account was not properly reconciled every month. The bank balance on the bank reconciliations for July 2017 through November 2017 did not agree to the bank statements. These bank reconciliations were not reviewed by another employee to ensure accuracy. Bank reconciliations were not prepared for December 2017 through June 2018. In addition, during Fiscal Year 2018, the amount transferred to the payroll revolving account from the operating funds did not agree to the total payroll per the payroll register. Transfers to the payroll revolving account booked to the appropriations ledger were \$39,338 more than the total payroll per the payroll register. Other control deficiencies were noted:

- Payroll records show \$189,147 due to the payroll revolving account for January 2018. The former county treasurer transferred \$157,592 to the payroll revolving account. \$31,555 was not transferred to the payroll revolving account.
- Employer's matching health insurance of \$1,807 was paid from the payroll revolving account and not booked to the appropriations ledger.
- A check written from general fund on March 2, 2018, for \$10,000 to cover the retirement report without supporting documentation.

The fiscal court failed to realize the importance of strong internal controls over the payroll revolving account, and instead relied on a single employee without sufficient oversight. The former county treasurer incorrectly prepared the bank reconciliations for July through November 2017. The errors were not detected because the reconciliations were not reviewed by another employee to ensure accuracy. The county treasurer stated that bank reconciliations were not prepared by the former treasurer from December 2017 through April 2018 so she was unable to prepare bank reconciliations for May 2018 and June 2018. The county treasurer also stated she transferred funds of \$4,518 to the general fund on June 29, 2018, to bring the payroll revolving account to the \$1,000 balance approved by the fiscal court on May 25, 2018. She did not understand how to account for outstanding liabilities and also did not realize the former treasurer had failed to pay the Internal Revenue Service (IRS) \$14,227 for the pay period November 27, 2017 through December 8, 2017.

The unreconciled payroll revolving account resulted in the fiscal court having insufficient funds to meet payroll requirements. The fiscal court had surplus and deficits during Fiscal Year 2018 as follows:

- \$4,617 surplus for period July 1, 2017 through September 30, 2017.
- \$512 surplus for period October 1, 2017 through November 30, 2017.
- \$1,324 deficit for December 2017.
- \$30,535 deficit for January 2018.
- \$1,409 deficit for February 2018.
- \$12,585 surplus for March 2018.
- \$1,759 surplus for April 2018.
- \$467 deficit for May 2018.
- \$10,416 deficit for June 2018.

In addition, the unreconciled payroll revolving account and lack of oversight over the payroll revolving account resulted in the following:

- The fiscal court paid \$11,009 more for withholdings and matching than amount per payroll register.
- The fiscal court paid \$1,608 less for gross payroll than the amount per payroll register.
- The fiscal court paid penalties of \$149 in Fiscal Year 2018 for late federal tax deposits.
- The fiscal court failed to make a federal tax payment of \$14,227 for the pay period November 27, 2017 through December 8, 2017.
- The fiscal court paid penalties and interest of \$6,675 in Fiscal Year 2019 for late federal tax deposits for November 2017 and December 2017.
- The fiscal court paid penalties and interest of \$66 for late state tax deposits.
- The fiscal court improperly withheld employee's share of retirement from twelve employees' payroll checks as reported in finding 2018-005.
- The fiscal court withheld \$937 too much for the employee's share for various insurances from 27 employees' payroll checks as reported in finding 2018-007.
- The fiscal court paid \$779 for the employee's share for various insurances without properly withholding from 12 employees' payroll checks as reported in finding 2018-007.
- The fiscal court failed to pay \$607 to vendors for the employee's share for voluntary deductions from three employees' payroll checks as reported in finding 2018-007.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* which requires the county treasurer to prepare monthly bank reconciliations. Due to the nature of revolving accounts, only the funds necessary to pay employees and government agencies are transferred from other funds. Therefore, the reconciled balance each month of the payroll revolving account should be \$0, or possibly a small reserve balance if the fiscal court so chooses. Strong internal controls over the account should be implemented to ensure that proper amounts are transferred timely. Should a

balance accrue in the payroll revolving account, the fiscal court should allocate this balance to the appropriate fund(s).

We recommend the fiscal court implement strong internal controls over the payroll revolving account. These controls should include reconciling the payroll revolving account balance each month, bank reconciliations being reviewed by an independent employee to verify accuracy and completeness, and an individual independent of the payroll function verifying proper payroll amounts are transferred to the payroll revolving account from the corresponding operating funds prior to each pay period. These controls should also include verifying that withholdings amounts and county contributions are handled properly, and paid over to the proper agencies timely, and that any accumulated balance in the payroll revolving account is properly allocated and reflected on the fiscal court's financial statement.

County Judge/Executive's Response: Payroll Account is reconciled on a monthly basis.

The Edmonson County Fiscal Court lacks adequate controls over payroll: This is a repeat finding and was included in the prior year audit report as Finding 2017-005. The Edmonson County Fiscal Court lacks adequate controls over payroll. Although the fiscal court has segregation of duties over payroll, they lack monitoring controls to ensure reports are accurate. The following control deficiencies were noted with the fiscal court's payroll:

- The fiscal court does not properly reconcile the payroll revolving account as reported in Finding 2018-003.
- The fiscal court did not properly reconcile retirement reports with payroll reports as reported in Finding 2018-005.
- The fiscal court did not pay tax liabilities timely resulting in penalties and interest as reported in Finding 2018-006.
- The fiscal court did not properly withhold city occupational tax as reported in Finding 2018-006.
- The fiscal court did not properly withhold employees' share of insurance and did not properly pay other voluntary deductions as reported in Finding 2018-007.
- Accident insurance coverage deductions were being removed from FICA income resulting in FICA being underpaid.
- Leave balances are not being maintained by the fiscal court for all employees.
- Employee authorization forms in employee folders are not up to date.
- One employee included 123 hours of overtime worked in a single pay period without sufficient documentation for 119 hours. The overtime documentation does not show dates or times worked.
- Five employees' timesheets were not signed by the supervisor, two of these employees did not maintain a timecard, and one employee's timecard appeared to be stamped instead of signed.
- One employee listed hours worked each day, but there was no way to determine the actual dates worked on the timecard.
- One employee was categorized as a salary exempt employee, but was required to use vacation or compensatory leave time. This employee's timecard did not include the required 80 hours per week.

- One employee was categorized as a salary exempt employee, but did not appear to meet the salary exempt requirements.
- One employee earned a total of four and a half hours of compensatory time on a timesheet, but did not provide sufficient documentation to show the days on which this time was earned.
- Twelve hourly employees did not use a timeclock to maintain hours worked.
- All employee's W-2s for calendar year 2017 were incorrect due to errors with FICA and local wage figures.
- Employee pay rates were not approved properly by the fiscal court. A raise was approved by the fiscal court, but no amounts or percentages were documented in the fiscal court orders. After applying the normal annual raise to employee rates, three employees' pay rates did not agree to the calculated amounts.
- The former finance officer's pay rate was never approved by the fiscal court.
- The rates used for employee withholdings and the employer's share of health insurance payments were not calculated properly.

Rather than implement a strong internal control system to monitor the payroll process, the fiscal court relied on individual employees to perform specific functions of payroll without sufficient oversight to ensure accuracy of work performed. As a result, the aforementioned findings occurred and the fiscal court's administrative code was not followed.

Strong internal controls over payroll and timekeeping are vital in ensuring that payroll amounts are calculated and accounted for properly. Strong internal controls are also important in safeguarding the fiscal court's assets and those given the responsibility of accounting for them, as well as helping make certain the fiscal court is in compliance with state statutes.

KRS 337.320 states, "[e]very employer shall keep a record of: (a) [t]he amount paid each pay period to each employee; (b) [t]he hours worked each day and each week by each employee[.]" Additionally, the *Edmonson County Administrative Code* section 340.10 states, "[a]ll hourly employees paid by county funds are required to use time clocks with the exception of elected officials secretaries."

The *Edmonson County Administrative Code* section 340.3 states, "[e]ach Supervisor shall keep records of vacation time allowance, vacation time taken, and the balance of vacation time allowance for each employee under his supervisor." Also, the *Edmonson County Employee Policy And Procedure Handbook* states, "[t]he Personnel Officer or his/her designee shall ensure that accurate records are kept for vacation leave allowance and vacation leave taken." In addition, the *Edmonson County Employee Policy and Procedure Handbook* states, "[n]on-supervisory, full-time employees shall work a minimum of 40 hours per week."

We recommend the following improvements:

- Review all deductions and make sure they are being coded correctly for pre-tax and after-tax deductions.
- Leave balances should be maintained for all employees.

- Personnel files should be complete as to all withholding authorizations and updated when any changes occur. Also, any adjustments to employees' pay should be properly included in employees' personnel files.
- All timesheets should be signed by the employee and his or her supervisor.
- An individual independent of the payroll process should review payroll transactions, including amounts to be paid to employees electronically for payroll to verify that amounts have been calculated properly and that they are properly supported. This review can be documented by signing or initialing the payroll report.
- Ensure all employees follow the administrative code.
- Ensure all full-time employees are working their correct amount of time to receive their salary pay.
- Ensure that W-2s are prepared correctly and verified before being issued to employees.

By implementing the above recommendations, the fiscal court can strengthen its internal control system over payroll and timekeeping and reduce the risks of non-compliance and payroll errors. Such procedures will also protect the fiscal court against potential payroll disputes.

County Judge/Executive's Response: Payroll is processed by an outsourced vendor, with Treasurer and Finance Officer reviewing and reconciling all payroll reports.

The Edmonson County Fiscal Court did not properly reconcile retirement reports with payroll reports: This is a repeat finding and was included in the prior year audit report as Finding 2017-006. The Edmonson County Fiscal Court reports retirement to the County Employees Retirement System (CERS) and can print the retirement reports. Discrepancies were noted between these reported amounts and the payroll reports. The reported amounts are not reconciled to the payroll reports when preparing the monthly CERS report. The fiscal court did not have adequate controls implemented to ensure the retirement reports were reconciled to the payroll reports. The following errors or problems were noted with the fiscal court's CERS retirement benefits:

- Detailed retirement reports and invoices are not printed and maintained in the fiscal court's records to document the payments made to retirement.
- The amounts reported for gross salaries on the retirement reports did not agree with gross salaries per the payroll summaries.
- The employees' retirement withholdings on the original payroll records were incorrect for January 2018 for five employees. These differences were corrected by the county treasurer. The employees had the amounts that were under withheld from their paychecks in January 2018, withheld from their paychecks in April 2018. The corrections were made on the April 2018 retirement report.
- One employee had the correct amount of retirement withholdings withheld from his paycheck, but this amount was not reported properly on the retirement report and invoices. This correction was made on the January 2018 invoice.
- Seven road department employees' overtime pay was not processed correctly. Due to this error, no retirement withholdings were withheld from these employees' paychecks for the wages in May 2018. This error was discovered and corrected on the June 2018 invoice.

The fiscal court did not devote sufficient resources to the internal controls over retirement benefits, and instead relied on a single employee without sufficient oversight. The retirement reports were not reconciled to the payroll earning reports.

The fiscal court has overpaid retirement on some employees and under paid retirement on others, although some of these issues were eventually corrected. This deficiency also explains the problems associated with a proper reconciliation of the payroll revolving account, since the transfer of funds from each department is based on the payroll report; but the fiscal court pays the Kentucky Retirement Systems based on the calculations on the retirement report.

A strong internal control system over retirement is essential in ensuring that retirement benefits are calculated, reported, and paid over to CERS properly. KRS 78.625 requires the fiscal court to file employee and employer contributions to CERS by the tenth day of the month following the period being reported. KRS 78.610(1) states, “[e]ach employee shall, commencing on August 1, 1990, contribute, for each pay period for which he receives compensation, five percent (5%) of his creditable compensation.” KRS 78.610(2) provides, “[t]he agency reporting official of a participating county shall cause to be deducted from the ‘creditable compensation’ of each employee for each and every payroll period subsequent to the date the county participated in the system the contribution payable by the member as provided in KRS 78.510 to 78.852. The agency reporting official shall promptly pay the deducted employee contributions to the system in accordance with KRS 78.625.” Furthermore, KRS 61.702(2)(b)(1.) states “[e]ach employer described in paragraph (a) of this subsection shall deduct from the creditable compensation of each member having a membership date on or after September 1, 2008, an amount equal to one percent (1%) of the member’s creditable compensation. The deducted amounts shall . . . be credited to accounts established pursuant to 26 U.S.C. sec. 401(h), within the funds established in KRS 16.510, 61.515, and 78.520.”

In order to strengthen internal controls over retirement, we recommend an individual independent of the payroll process reconcile the monthly retirement reports to monthly payroll summaries. This reconciliation should include tying all wage and retirement amounts on the retirement report to the payroll summary. This reconciliation should then be reviewed by the county judge/executive or the fiscal court. Once the retirement report and payroll summary are deemed accurate, retirement benefits should be submitted to CERS on a timely basis. We also recommend the detailed retirement reports be printed each month from the Kentucky Retirement Systems’ website with the electronic funds payment confirmation which breaks out gross wages, withholdings, and employer’s share by employee to compare to the payroll register for accuracy. Any invoices or adjustments obtained each month should also be documented and kept with the monthly report to explain any differences. Furthermore, all employees’ retirement withholdings need to be checked for accuracy. Any retirement erroneously withheld from an employee’s paycheck should be refunded to the employee. Other errors should be corrected by reporting and submitting the correct amount to CERS and obtaining amounts not withheld from employees.

County Judge/Executive’s Response: Retirement reports are being reconciled to the payroll reports on a monthly basis prior to payment being submitted.

The Edmonson County Fiscal Court did not pay tax liabilities timely resulting in penalties and interest: This is a repeat finding and was included in the prior year audit report as Finding 2017-007. During Fiscal Year 2018, federal tax withholdings and employer contributions were not properly turned over to the Internal Revenue Service (IRS) timely. The form 941 tax return for the tax period ending December 31, 2017, was not submitted to the IRS until July 24, 2018. This tax return showed \$14,261 due to the IRS. \$14,227 of the amount due to the IRS was federal tax withholdings and employer contributions not reported or paid by the former county treasurer for the pay period November 27, 2017 through December 8, 2017. In addition, the fiscal court failed to make a proper federal tax deposit for three other pay periods. The state tax return for July 1 to 15, 2017, was also not filed properly. The check was written to the state for \$200 less than the amount due. Local taxes were computed incorrectly. Eight of nine employees tested for pay date September 7, 2017, had the incorrect city tax withheld from their paychecks. For the nine employees tested for this pay date, calculated city tax was \$116, but city tax withheld was \$33, for a difference of \$83. For the ten employees tested for pay date April 25, 2018, city tax was correctly computed and paid.

The Edmonson County Fiscal Court failed to make a federal tax payment for the pay period November 27, 2017 through December 8, 2017, causing the amount owed to the IRS. The fiscal court also failed to implement internal controls to monitor that tax liabilities are reported correctly and instead relied on a single employee without sufficient oversight. The fiscal court also has no set policies on how city occupational tax should be withheld from employee wages.

As a result, federal taxes, including Social Security and Medicare, were not remitted in accordance with the federal deposit withholding deposit schedule as determined by employers tax guidance published by the IRS. In addition, state taxes were paid late and city taxes were underpaid. As a result, the fiscal court paid penalties and interest of \$6,675 on October 10, 2018, to the IRS due to late payments and failure to file reports timely. In addition, penalties and interest of \$66 were owed to the state due to late or incorrect payments. Additional interest was owed to the state because the fiscal court did not pay the additional \$200 due until the second notice.

Strong internal controls over the payroll process are essential in ensuring that employee withholdings and employer contributions are turned over to the appropriate taxing authorities. In addition, *Publication 15 Employer's Tax Guide (Circular E)* and *Notice 931 Deposit Requirements For Employment Taxes* issued by the IRS require employers who are semiweekly schedule depositors to deposit federal taxes accumulated on taxes for payroll paid on Wednesday, Thursday, or Friday by the following Wednesday and federal taxes accumulated on taxes for payroll paid on Monday or Tuesday by the following Friday.

103 KAR 18:150 Section 2(4)(a) states:

1. . . .any employer who withheld income tax of \$50,000 or more during the lookback period shall report and pay the tax twice monthly using Revenue Form K-1, 'Employer's Return of Income Tax Withheld.'
2. Revenue Form K-1 and the income tax withheld during the first through the 15th day of each month of the calendar year shall be reported and paid on or before the 25th day of that month.

3. Revenue Form K-1 and the income tax withheld during the 16th through the last day of each month of the calendar year shall be reported and paid on or before the tenth day of the following month.

City of Brownsville Ordinance No. 1-08 states, “[t]he occupational license tax shall be measured by 1% of: (a) All wages and compensation paid or payable in the city for work done or services performed or rendered in the city by every resident and nonresident who is an employee, whether temporary, transient, or permanent without regard to home office location or address of payroll issuer.”

We recommend the fiscal court implement internal controls over tax liabilities. Internal controls such as a thorough review of payroll earnings records should be performed by an individual independent of the payroll process and comparison of amounts due to amounts paid. Once completed, the review should be signed by the individual performing the review and submitted to the county judge/executive and the fiscal court.

County Judge/Executive’s Response: All tax liabilities are now being processed and paid by the Payroll company with Treasurer verifying and confirming payments.

The Edmonson County Fiscal Court did not properly withhold employees’ share of insurance and did not properly pay other voluntary deductions: This is a repeat finding and was included in the prior year audit report as Finding 2017-008. The Edmonson County Fiscal Court did not properly withhold from employees’ paychecks for employee deductions such as health, life, accidental, vision, and dental insurance. The fiscal court paid the employees’ share for vision, life, dental, and health insurances without properly withholding from the employees’ payroll checks as follows:

- \$22 was paid on life insurance policies for two employees.
- \$20 was paid on dental insurance on behalf of a former magistrate.
- \$737 was paid on health insurance for nine employees.

In addition, the fiscal court withheld too much from employees’ payroll checks as follows:

- \$47 too much was withheld on vision insurance for one employee.
- \$188 too much was withheld on dental insurance for three employees including \$116 and \$11, respectively, for the sheriff and former county treasurer.
- \$128 too much was withheld on life insurance for four employees including \$69 for the former county treasurer.
- \$574 too much was withheld on health insurance on nineteen employees including \$75 and \$77, respectively, for the sheriff and the former county treasurer. This amount also includes \$25 each for the county clerk, two magistrates, a former magistrate, and the former road supervisor.

Additionally, the fiscal court failed to pay amounts due for voluntary deductions from employees’ payroll checks as follows:

- \$375 was not paid to the credit union for two employees including \$225 on behalf of the former county treasurer.
- \$40 was paid twice to deferred compensation for two employees.
- \$232 was not paid to a credit agency for one employee.

The various invoices for insurance and other voluntary deductions are not being compared to the employee withholding to ensure proper withholdings are being made from employees' paychecks and actually paid to the appropriate vendors. The fiscal court is paying additional insurance on some employees since those employees are not paying the proper portion. As a result, the fiscal court was unable to reconcile the payroll revolving account to zero.

Good internal controls require original supporting documentation for all payments and reconciliation of the amount withheld to the amount due for voluntary deductions. In addition, the fiscal court should only pay disbursements they are responsible for from the operating funds.

We recommend the fiscal court require someone to verify that employees' withholdings cover their required portion of insurance premiums and all voluntary deductions are paid to vendors. This review can be documented by printing a deduction report and comparing it to the invoices prior to paying. In addition, we recommend the fiscal court refunded amounts over withheld from employees' paychecks.

County Judge/Executive's Response: All deductions are being withheld properly and all voluntary deductions are paid in a prompt and correct manner.

The Edmonson County Fiscal Court did not have adequate internal controls over disbursements: This is a repeat finding and was included in the prior year audit report as Finding 2017-010. Internal controls over disbursements were not operating as intended during Fiscal Year 2018. The following control deficiencies were noted:

- One disbursement of \$600 was paid by a bank withdrawal without a second signature from the county judge/executive or finance officer.
- Six disbursements tested included late charges or penalties of \$654.
- Five disbursements tested totaling \$28,139 were not presented to the fiscal court before payment.
- Twenty-five disbursements tested were recorded to the wrong account codes: 21 disbursements tested totaling \$73,297 were recorded to the wrong minor object codes and four disbursements tested totaling \$19,530 were recorded to the wrong major object codes.
- Four disbursements tested totaling \$51,826 did not have supporting documentation that matched the amount paid. Two of these disbursements totaling \$50,835 were payments from the room tax fund to the tourism commission paid from supporting documentation that was incorrect due to a mathematical error. The other two disbursements totaling \$991 were charges on the fiscal court's credit card paid from the general fund for supplies for the animal control officer. However, the supporting documentation attached to the credit card statement did not agree to the amount charged on the fiscal court's credit card.
- Four claims tested totaling \$32,812 were approved and paid by the fiscal court without sufficient budget available in the line items when the claims were approved and paid.

- One disbursement tested totaling \$265 per the invoice and cancelled check was recorded incorrectly on the appropriations ledger and warrant distribution ledger as \$199.
- Two disbursements totaling \$45 were not paid timely. Both disbursements not paid timely were charges on the fiscal court's credit card that were not paid with the credit card statement including the charge.

The deficiencies listed above were able to occur due to lack of monitoring of controls. These deficiencies could result in line items being over budget, claims being paid not related to the fiscal court, inaccurate reporting and misappropriation of assets. For Fiscal Year 2018, these deficiencies resulted in road fund administration exceeding budgeted appropriations by \$1,300 and parks and recreation fund recreation and culture exceeding budgeted appropriations by \$1,521.

Proper internal controls over disbursements are important to ensure purchase orders are created when sufficient funds are available, proper supporting documentation is being maintained, payments are posted to the correct accounts, and claims are presented to the fiscal court. KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* which states, "purchases shall not be made without approval by the Judge/Executive (or designee), and/or department head. Purchase requests shall not be approved in an amount that exceeds the available line item appropriation unless the necessary and appropriate transfers have been made." The manual also states disbursements are to be made by check only and "[a]ll counties must use the account numbers from the chart of accounts. Codes used must identify the revenue or expenditure."

KRS 68.300 states, "[a]ny appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within the budget appropriation, shall be void." KRS 68.275 requires claims within budget line items and presented to the fiscal court be paid by a check drawn on an account of the fiscal court. KRS 68.020(1) states, "[a]ll warrants for the payment of funds from the county treasury shall be co-signed by the county treasurer and the county judge/executive." In addition, the Edmonson County Administrative Code Section 230.1 states "[c]ounty funds shall be paid out only on order of the Fiscal Court."

We recommend the fiscal court improve internal controls over disbursements to ensure they are operating effectively.

County Judge/Executive's Response: All disbursements are reviewed by Finance Officer, Treasurer and Judge/Executive. We have implemented a stronger process of disbursements.

The Edmonson County Fiscal Court lacks adequate controls over procurement: The Edmonson County Fiscal Court opened road materials bids on June 12, 2017. According to the fiscal court minutes, three bids were submitted, opened, and read for road materials. Then, a motion was made "to, as in the past, approve all bids and be able to use wherever and whenever applicable" and the fiscal court vote was unanimous on this motion. This method of selecting a vendor is not in compliance with KRS 45A. The minutes do not document the amount of the bids or what materials were included on the bids; therefore, acceptance of the winning or lowest bid

was not documented. During Fiscal Year 2018, the fiscal court paid \$524,523 to vendors for road materials who submitted bids.

In addition, the fiscal court did not follow the procurement process for purchases from the same vendor that over the course of the year were above the \$20,000 threshold set by Edmonson County Administrative Code. The following purchases were noted as being above the \$20,000 threshold without being bid or without documentation as to the reason the purchases were not bid:

- During Fiscal Year 2017, the fiscal court entered into a lease agreement to rent vehicles for the sheriff's department. This agreement was not bid or documented as being made under the state bid contract. During Fiscal Year 2018, the fiscal court paid \$28,715 on this agreement.
- Two vendors were paid \$29,319 and \$61,304, respectively, for gasoline. Gasoline was not bid or purchased under the state bid contract. The fiscal court budgeted \$104,500 for gasoline in their original budget.
- One vendor was paid \$32,170 to work on the communications towers and the sheriff's frequency on radios without documenting making the purchase under the state bid contract.
- One vendor was paid \$26,373 for fees for E911 routing costs without documenting the vendor was the single source for the service provided.
- One vendor was paid \$36,001 for materials such as tiles and galvanized bands for road projects. These road materials were not bid.

The county judge/executive stated he was not aware the fiscal court could not accept all bids as part of the bidding process for all bids related to the construction or maintenance of county roads and bridges. He was not informed of this requirement until the prior year exit on May 1, 2018. The county judge/executive also stated he was not aware the fiscal court was required to bid the lease agreement, work on the communications towers and the sheriff's frequency on radios, and E911 routing cost. He was not aware they had spent over \$20,000 with the same vendor on gasoline and materials for road projects. The emergency management director stated he was not aware the E911 routing costs and the work on the communications towers and the sheriff's frequency on radios were subject to the bidding process. He stated he believed that both items were purchased from vendors who were the single sources for those items in Edmonson County. As a result, the fiscal court was not in compliance with procurement laws or their administrative code. In addition, the fiscal court might not have received the best value for services or products provided.

Strong internal controls require management to monitor disbursements and purchase orders to ensure compliance with procurement laws, and keep good records of all bid and other procurement transactions. KRS 178.140(1) states, "[a]ll bids for the construction or maintenance of county roads and bridges shall be received at the time and place specified in the advertisement, and shall be opened publicly at the time of awarding, and the amount of items comprising each bid shall be publicly announced." In addition, KRS 178.140(2) states "[t]he contract shall be awarded to the lowest and best bidder, who shall furnish satisfactory security in an amount equal to the amount of the contract in question, to be approved by the county judge/executive of the county."

KRS 45A.365(1) states, “[a]ll contracts and purchases shall be awarded by competitive seal bidding, which may include the use of a reverse auction, except as otherwise provided by KRS 45A.370 to 45A.385.” Additionally, KRS 45A.365(2) states, “[t]he invitation for bids shall state that the award shall be made on the basis of the lowest bid price or the lowest evaluated bid price. If the latter is used, the objective measurable criteria to be utilized shall be set forth in the invitation for bids. The invitation for bids shall include the reciprocal preference for resident bidders described in KRS 45A.494.”

KRS 45A.355(1) states, “[e]very determination required by this code shall be in writing and based upon written findings of the public official making the determination. These determinations and written findings shall be retained in the official contract file.”

KRS 45A.380 states, “[a] local public agency may contract or purchase through noncompetitive negotiation only when a written determination is made that completion is not feasible and it is further determined in writing by a designee of the local public agency that: . . . (2) [t]here is a single source within a reasonable geographical area of the product or service to be procured[.]”

Additionally, the Edmonson County Administrative Code Sections 420.4 and 420.5 regarding selection of vendors and contracts state, “[s]ealed bidding procedures shall be followed under the circumstances, conditions and in the manner as set forth by KRS 45A.365” and “[a]ll purchases in excess of twenty thousand dollars (\$20,000.00) are required to be advertised for bids as set forth by KRS 424.260.” The Edmonson County Administrative Code Section 420.8 regarding selection of vendors and contracts states, “[t]he County Judge/Executive shall submit the bid selected to the Fiscal Court for approval and thereafter shall notify in writing all bidders of the award. If the lowest bid is not selected, the reasons for the selection shall be stated in writing.”

We recommend the fiscal court monitor all disbursements to ensure that procurement procedures are followed for all qualifying disbursements. We further recommend the fiscal court document these procedures in the fiscal court minutes and in the bid files including documenting the acceptance of the winning bid in writing in accordance with their administrative code and to be in compliance with KRS 178.140 as it relates to construction or maintenance of county roads and bridges. If the fiscal court does not accept the lowest bid for road materials, they should document the reason in the fiscal court minutes. Furthermore, we recommend the fiscal court maintain documentation when making purchases under a state bid contract or from a vendor who is the single source for the purchase or service.

County Judge/Executive’s Response: All Procurement requirements are being followed.

The Edmonson County Fiscal Court did not maintain complete and accurate capital asset schedules in compliance with regulatory requirements: This is a repeat finding and was included in the prior year audit report as Finding 2017-011. Material weaknesses existed over the reporting of capital assets and infrastructure of Edmonson County. The beginning balances of the fiscal court’s schedule of capital assets and infrastructure for the period of the audit did not agree to the prior year schedule of capital assets ending balances.

Land and buildings were overstated \$71,347 due to equipment being recorded as land and buildings by mistake. Vehicles and equipment beginning balances were understated by \$1,053,819 due to not including all assets reported in the prior year. Infrastructure had to be restated by \$122,141 due to including roads that did not meet the fiscal court's capitalization policy.

The fiscal court lacks adequate internal controls over reporting of capital assets. Each department is required to submit inventory listings to the fiscal court; however, these were not being reconciled with the capital asset schedules maintained by the county treasurer. The county treasurer stated she was not given a capital asset schedule, was not trained on how to properly maintain the schedule, and what documentation was required to be maintained. By having weak internal controls over capital assets, assets are left vulnerable to misappropriation or misstatement. In this case, misstatements were able to occur without detection.

Strong internal controls over capital assets are necessary to ensure accurate financial reporting to protect assets from misappropriation and to ensure accurate insurance coverage. KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* which states, "[f]ixed asset records are necessary for proper asset valuation, adequate and accurate insurance coverage, internal control, and long range planning for property replacement. An annual physical inventory of property and equipment shall be conducted on or before June 30. Physical counts must be compared to the master asset inventory listing. Resulting differences must be reconciled, explained and documented." Furthermore, the manual states, "[a] fixed asset record should be prepared for each acquisition that meets the useful life and threshold limits. Deletion, sale, or disposal of fixed assets must be approved by the authorized personnel and documented accordingly."

In order to strengthen internal controls over capital assets, we recommend the fiscal court maintain a complete and accurate capital asset schedule to comply with DLG requirements. Procedures should be implemented that will identify and track beginning balances, additions, and deletions for the purpose of the capital asset schedule with adequate supporting documentation and any additions or deletions should be reconciled to the department inventory records annually for insurance coverage.

County Judge/Executive's Response: Created a new Capitalization plan to properly record and maintain all Capital Assets.

The Edmonson County Fiscal Court did not properly disclose debt on the fourth quarter financial report or budget and record amounts: The Edmonson County Fiscal Court did not report the correct amount of liabilities on the fourth quarter financial report. The fiscal court reported \$67,777 principal and \$4,535 interest for the general obligation refunding lease, series 2012 (courthouse) while the correct balance should have been \$350,239 principal and \$21,838 interest. In addition, the Administrative Office of the Courts (AOC) paid debt service of \$76,847 on behalf of the Edmonson County Fiscal Court which was not included in the budget or recorded on the financial report.

The county judge/executive and county treasurer stated they were not aware they needed to budget or record these payments since AOC was directly making payments to the bank. By not correctly reporting outstanding liabilities, the fiscal court cannot make effective management decisions as it relates to debt service outstanding each fiscal year. Total principal debt obligations as of June 30, 2018, were understated by \$282,462 and total interest obligations as of June 30, 2018, were understated by \$17,303 on the liabilities section of the fourth quarter financial report. In addition, since the fiscal court did not budget or record all debt related transactions, the general fund debt service disbursements exceeded budgeted appropriation amounts by \$75,048 after adjustments. Also, the fourth quarter financial report was misstated by \$76,847 for receipts and disbursements.

KRS 68.280 states, “[t]he fiscal court may make provision for the expenditure of receipts unanticipated in the original budget by preparing an amendment to the budget, showing the source and amount of the unanticipated receipts and specifying the budget funds that are to be increased thereby.” KRS 68.240(1) states, “[t]he county judge/executive shall annually prepare a proposed budget for the expenditure of all funds, including those from state and federal sources, which are to be expended by the fiscal court in the next fiscal year.” KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government’s (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* which requires all borrowed money received and repaid must be reflected in the county budget. Any borrowed money that is not reflected in the original budget estimate must be amended into the budget and be properly reflected on the financial report as a receipt as well as an “expenditure” for repayment of borrowed funds. Furthermore, all funds disbursed on the fiscal court’s behalf by third parties should be recorded in receipts and appropriation ledgers. DLG’s manual also requires the liabilities section of the fourth quarter financial report to be utilized for reporting all current long-term debt.

We recommend the fiscal court properly disclosure all debt on the quarterly financial reports. We also recommend the fiscal court ensure all debt is properly budgeted or prepare budget amendments if necessary, and report the receipts and disbursements of debt on the quarterly financial reports.

County Judge/Executive’s Response: All Debt is properly being disclosed on required reporting.

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

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