



Auditor of Public Accounts  
Mike Harmon

**FOR IMMEDIATE RELEASE**

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### **Harmon Releases Audit of Todd County Fiscal Court**

**FRANKFORT, Ky.** – State Auditor Mike Harmon has released the audit of the financial statement of the Todd 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 Todd 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 Todd County Fiscal Court lacks adequate segregation of duties over cash and cash receipts:** This is a repeat finding and was included in the prior year report as Finding 2017-001. The Todd County Fiscal Court lacks adequate segregation of duties over cash and cash receipts. The county treasurer deposits the receipts and posts transactions into the accounting system. The county treasurer prepares reports for submission to the Department for Local Government (DLG), makes cash transfers between funds, and performs the bank reconciliations for all bank accounts. There were no documented compensating controls to offset the lack of segregation of duties to reduce the deficiency to less than significant level.

According to the county treasurer, this is the result of a limited budget, which prevents the fiscal court from hiring enough qualified employees to properly segregate duties.

The lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as DLG. The segregation of duties over various accounting functions such as preparing deposits, recording receipts, preparing and reconciling reports, or the implementation of compensating controls is essential to provide protection from asset misappropriation and inaccurate financial reporting. Proper segregation of duties also protects employees in the normal course of performing their daily responsibilities. In addition, too much control by one individual without oversight can lead to undetected irregularities.

We recommend the fiscal court divide the responsibilities for cash and receipts among the county treasurer and other employees of the county in order to achieve an appropriate level of segregation of duties or implement compensating controls over these areas.

*County Judge/Executive's Response: Todd County works diligently to control segregation of duties. Multiple people sign off on deposits. County Judge Executive reviews all bank statements before being reconciled by county treasurer.*

**The fiscal court does not have adequate controls over decentralized receipts at the convenience centers:** This is a repeat finding and was included in the prior year report as Finding 2017-004. During our testing of receipts at the Todd County Convenience Centers, we discovered the fiscal court does not require issuance of receipts to all individuals dropping off rubbish. We also discovered that deposits are not made in a timely manner. In some cases, receipts were deposited over two weeks after collected. The convenience centers turn in a weekly check-out sheet with the receipts collected. According to the treasurer, triplicate receipts are not issued, as customers would not take the time for convenience center employees to issue them.

Without adequate controls in place over decentralized receipts, such as the issuance of triplicate receipts and daily deposits, the fiscal court creates the opportunity for undetected misappropriation of assets and inaccurate financial reporting to occur.

Adequate controls over decentralized receipts must include verification that the correct fees are charged, along with verification that all fees are charged and received.

KRS 68.210 requires the state local finance officer to create a system of uniform accounts for all counties and county officials. The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* outlines requirements for the handling of public funds, which are requirements for both local government officials and employees. These requirements prescribe that daily deposits are made intact into a federally insured banking institution.

In addition, KRS 64.840(2) requires that all governmental officials handling public funds issue a three part pre-numbered receipt with, "[o]ne (1) copy of the receipt shall be given to the person paying the fine, forfeiture, tax, or fee and one (1) copy shall be retained by the official for his own

records. One (1) copy of the receipt shall be retained by the official to be placed with the daily bank deposit.”

We recommend the Todd County Fiscal Court require receipts in accordance with KRS 64.840(2) for all convenience center collections. We also recommend that deposits be made daily.

*County Judge/Executive's Response: Todd County has provided triplicate receipt books to all convenience centers and we are currently providing receipts in accordance to KRS 64.840.*

**The Todd County Fiscal Court had inadequate internal controls over disbursements and was not compliant with various statutes:** We noted the following issues when testing disbursements:

- Eight instances where checks written for disbursements were not properly endorsed by the payee.
- Eight instances where evidence was not available to show that disbursements were presented to the fiscal court prior to payment.
- Nine instances where adequate supporting documentation was not available for a disbursement.
- Two instances where disbursements exceeded budgeted appropriations.
- Five instances where disbursements were not coded to the correct accounting code.
- Three instances where state sales taxes were paid on a disbursement.
- Eight instances where finance charges such as high-risk credit fees, interest charges, and late fees were paid on county credit cards.
- Three instances where the fiscal court did not verify that they are receiving specified bid rates on appropriate disbursements.
- No evidence was available to show that the fiscal court gave approval to advertise for the ambulance bid.
- Disbursements to a jail food service provider exceeded the county's bid threshold and were not properly bid.

We also identified 12 instances of contracted solid waste hauling and disposal by the same vendor without properly advertising for bids. Each of the individual payments to the vendor for these services were less than the \$20,000 threshold established by statute for competitive procurement; however, in aggregate, the 12 payments totaled \$75,097.

The fiscal court failed to establish appropriate internal controls over disbursements. The fiscal court also failed to recognize the need for competitive procurement procedures for a transaction when aggregate payments exceeded \$20,000 for services that were not severable categories and could be reasonably estimated in advance. Per the county treasurer, ambulance fund utilities were mistakenly omitted from the approved standing orders, which was the cause of seven of the eight instances in which evidence was not available to show that disbursements were presented and approved by the fiscal court prior to payment.

The fiscal court's failure to establish effective internal controls over disbursements resulted in numerous instances of noncompliance as reflected above. 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.

KRS 68.210 requires the state local finance officer to create a system of uniform accounts for all counties and county officials. The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* outlines requirements for counties' handling of public funds. These requirements prescribe that appropriate supporting documentation is maintained for all operating disbursements, and that operating disbursements are properly coded prior to inclusion on the claims list presented to fiscal court.

KRS 68.275(2) states, "[t]he county judge/executive shall present all claims to the fiscal court for review prior to payment[.]" Good internal controls over disbursements are necessary to ensure proper reporting and ensure the county is conducting business that is compliant with required statutes.

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. No member of the fiscal court shall vote for any such illegal appropriation or claim. The county treasurer shall be liable on his official bond for the amount of any county warrant willfully or negligently signed or countersigned by him in excess of the budget fund out of which the warrant is payable."

KRS 424.260(1) states, "[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for materials, supplies except perishable meat, fish, and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than twenty thousand dollars (\$20,000) without first making newspaper advertisement for bids."

We recommend the Todd County Fiscal Court improve procedures over disbursements by ensuring that sufficient supporting documentation is provided for all disbursements, that all disbursements are presented to the fiscal court prior to payment, and that all disbursements are coded correctly within the ledgers. We also recommend that disbursements are reviewed for unallowable charges such as state sales taxes, interest charges, and late fees prior to approval. We further recommend the fiscal court ensure compliance with bid laws governing competitive procurement, ensure that bid rates are charged appropriately per bid agreements, and ensure that fiscal court approval of advertising for bids is properly documented.

*County Judge/Executive's Response: Fiscal Court will require all department head to verify disbursement before being presented to Fiscal Court. Finance Officer will check to ensure appropriate invoices support expenditures before presenting to court.*

**The Todd County Fiscal Court lacks adequate controls over payroll:** The fiscal court does not have adequate controls over payroll. The following exceptions were noted during testing:

- One employee did not maintain a timesheet.

- Seventeen employees did not have the correct amount of FICA (Federal Insurance Contributions Act) taken from their paychecks.
- Two employees were not required to use leave for time worked under 37.5 hours for the work week.
- Five employees were not compensated for overtime that they worked according to their timesheets; therefore, the fiscal court is not in compliance with KRS 337.285 or the county administrative code.
- Four employees did not sign their time sheets.
- Four employees took leave incorrectly.
- One employee took six hours off to cover a full work day.
- One employee took 13 hours off for a full work day.
- One employee only took 7.5 hours of leave to cover a full work day.
- One employee was overcharged retirement on multiple paychecks.
- One employee did not initial a correction to a timesheet.
- Three employees' leave balances were not properly maintained (negative balance).
- Four employees' timesheets were not added correctly.
- One employee's on call time was not properly documented or approved by a supervisor.
- Three employees' endorsements on paper payroll checks cannot be confirmed on bank statements.

This was caused by oversight by supervisors and by a lack of understanding of the payroll system. By not ensuring that timekeeping records are properly maintained, the fiscal court is not in compliance with KRS 337.285 or the county administrative code. Good internal controls dictate that all employees maintain timesheets and a supervisor sign-off and approve the hours worked by an employee in order to prevent an employee from being paid incorrectly for the hours they actually worked or paid for hours that they had not worked.

KRS 337.285 requires, “[n]o employer shall employ any of his employees for a work week longer than forty (40) hours, unless such employee receives compensation for his employment in excess of forty (40) hours in a work week at a rate of not less than one and one-half (1-1/2) times the hourly rate at which he is employed” and the county’s administrative code requires that, “[t]he County pays hourly employees’ time and a half for all hours worked over 40 in a week.”

Proper calculation of hours and leave balances for timesheets is essential to ensure that all employees are being paid for their time while also guarding taxpayer funds from misuse.

We recommend the fiscal court ensure all employees maintain timesheets, which are approved by a supervisor. We also recommend that proper internal controls should be implemented to ensure that leave balances and hours worked are verified before completing processing. Additionally, we recommend the county comply with KRS 337.285 and the county’s administrative code.

*County Judge/Executive’s Response: Todd County has put in place time clocks at all departments to assure proper time keeping. Department supervisors and Finance Officer will review time sheets before completion of payroll.*

*County Jailer's Response: The Todd County Jail has started using a biometric time clock to accurately record each employee's timesheet which is reviewed and signed by the supervisor.*

**The Todd County Fiscal Court lacks adequate internal controls over capital assets, did not maintain an inventory listing, and did not conduct an annual physical inventory of fixed assets:** This is a repeat finding and was included in the prior year audit report as Finding 2017-002. The Todd County Fiscal Court did not have adequate internal controls over capital assets. The county's schedule of capital assets did not include two lawnmowers purchased for \$7,598 by the jail commissary, was missing an ambulance chassis purchased for \$33,595, and included multiple items below the required thresholds including \$12,000 added for a building, and \$171,436 for small infrastructure projects that fell below the county's threshold. The fiscal court also did not remove construction in progress of \$51,800 for a finished building. The county's capital asset schedule's beginning balances did not agree to the prior year audited schedule of capital assets ending balances. We also noted that multiple additions and deletions from prior years were still present in the capital asset schedule, as well as additions and deletions from the subsequent fiscal year ending June 30, 2019, totaling \$200,249 for equipment and \$90,602 for infrastructure. Furthermore, we also noted that three capital assets were not properly insured, and one capital asset was not insured for its full value.

We noted the Todd County Fiscal Court did not maintain an inventory listing of its fixed assets. We also noted that no physical inventory of fixed assets was conducted. Inventory is only conducted at the end of each calendar year for the purpose of insurance coverage, and is done by sending out confirmations to each department head of their current inventory and any additions or deletions.

The Todd County Fiscal Court failed to establish strong internal controls over the reporting of capital assets. According to the county judge/executive's secretary, she was unaware of the county's thresholds for capital assets. The county judge/executive's secretary is also responsible for maintaining inventory, and was unaware of the requirement of an inventory listing or of an annual physical inventory of fixed assets.

Due to a lack of adequate internal controls, the Todd County Fiscal Court did not maintain an accurate capital asset schedule for the fiscal year ending June 30, 2018. Without strong internal controls in place, there is an increased risk of misappropriation of assets and inaccurate reporting of capital assets. Without an accurate capital asset schedule, there is also an increased risk of inaccurate or incomplete insurance coverage of capital assets. By not maintaining an inventory listing or conducting an annual physical inventory, the Todd County Fiscal Court is also not in compliance with requirements set by the Department for Local Government (DLG). By not monitoring and tracking all fixed assets purchased by the county, the fiscal court is also at an increased risk of misappropriation of assets.

KRS 68.210 requires the state local finance officer to create a system of uniform accounts for all counties and county officials. The DLG's *County Budget Preparation and State Local Finance Officer Policy Manual* 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." The manual also states that "[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 authorized personnel and documented accordingly.”

In addition, the manual states that “[f]or purposes of internal control, a fixed asset inventory listing must be maintained for all asset purchases/donations above a reasonable dollar amount and have a useful life of greater than one year. The fixed asset inventory listing should provide the following detail:

- Property Tag number
- Asset description
- Serial number - if applicable
- Quantity - if applicable
- Cost (or FMV of donated asset at date of donation)
- Date of acquisition
- Date of disposal (track all disposals for entire fiscal year)
- Property location (by department, building & room number)
- Manager/individual responsible

Please note: The Fixed Asset Inventory Listing will include assets reported on the Fixed Asset Listing, with the exception of infrastructure assets.”

The manual also states that “[a]n 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.” It further states that “[t]he asset inventory listing should be updated for all additions, disposals, and property location changes, etc. Authorization must be given to appropriate accounting personnel for asset record and asset inventory listing modifications.”

We recommend the fiscal court maintain a complete and accurate schedule of capital assets to comply with DLG’s requirements. Procedures should be implemented that will identify and track all additions and deletions for the purpose of the capital asset schedule. We also recommend that capital asset thresholds set by the fiscal court are followed, and that procedures are put in place to ensure insurance coverage for all capital assets. Furthermore, we recommend the fiscal court maintain an inventory listing for each fiscal year, and conduct an annual physical inventory of fixed assets per DLG requirements.

*County Judge/Executive’s Response: Todd County has corresponded with adjoining county to get better knowledge as to the proper bookkeeping on capital assets.*

**The Todd County Jail lacks adequate segregation of duties over commissary and inmate account activity:** During the audit, we noted the following segregation of duties issues:

- The jailer maintained all commissary bank statements, signed all commissary checks, and made all deposits into the commissary bank account.
- A deputy jailer maintained the inmate account bank statements, reconciled the inmate account bank statements, and printed and signed inmate account checks.

- The jail commissary financial statements were misstated.
- The jail commissary financial report presented to the county treasurer did not foot properly or agree to bank activity.
- The jail could not provide auditors with the total amount of individual inmate account balances to compare to the bank account total.

This was caused by a lack of understanding of segregation of duties by the former jailer.

A lack of segregation of duties or strong oversight could result in the undetected misappropriation of assets or incorrect financial reporting. In addition, by not presenting accurate financials to the county treasurer, the fiscal court cannot determine if adequate funds are maintained in the account.

Segregation of duties over these tasks and cross-training deputies, when needed because the number of staff is limited, is essential to providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties and cross-training deputies protects employees in the normal course of performing their daily responsibilities. Good internal controls dictate that the collection of receipts, disbursing of cash, purchasing authority, recording of transactions, and bank reconciling duties be segregated.

We recommend the jailer segregate the duties noted above and cross-train deputies to accommodate the rotation of these functions. Proper segregation of duties includes separating the duties of collecting cash, depositing receipts, posting to receipts and disbursements ledgers, bank reconciliations, and preparing reports. If segregation of these duties is not feasible, the jailer should designate another person to provide knowledgeable oversight of the employee responsible for the incompatible duties and to document this oversight. Knowledgeable oversight would necessitate an understanding of and ability to perform those same duties if the bookkeeper were absent.

*County Judge/Executive's Response: Todd County elected a new jailer that took office January 1, 2019. The new jailer has expressed concerns and will be taking a new course of action to resolve situation.*

*County Jailer's Response: The Jailer will designate another person to provide knowledgeable oversight of the employees responsible for the incompatible duties and document this oversight.*

**The fiscal court did not ensure economic development bonds bank accounts are reconciled:**

The Todd County Fiscal Court was not preparing bank reconciliations and appropriate ledgers for the economic development bonds bank accounts. This happened due to the Kentucky Association of Counties (KACo) Leasing Trust not providing the fiscal court with the bank statements for these accounts. The fiscal court was unable to ensure that the appropriate amounts were being taken out of the accounts and add them to the ledgers.

By not reconciling these accounts, the fiscal court is unable to ensure that all funds have been accounted for or used in the correct manner. Also, by not maintaining appropriate ledgers, the fiscal court cannot determine an accurate account balance.



Good internal controls dictate that accounts be reconciled timely and ledgers be maintained for record keeping purposes. By keeping accurate records, the records can be a vital piece of information for the fiscal court in future budgeting endeavors.

We recommend the Todd County Fiscal Court maintain appropriate controls over debt bank accounts and ensure that bank reconciliations are complete and ledgers are created.

*County Judge/Executive's Response: Todd County has corresponded with bonding agency and we are now receiving monthly bank statements in a timely fashion.*

**The fiscal court did not maintain adequate debt documentation:** During our testing of debt, it was noted that the Todd County Fiscal Court did not have final bonding agreements for their most recent debt of over \$4,000,000. They did not receive this information until seven months after the bonds had been issued. Due to not having adequate documentation, the fiscal court was even unaware of their responsibilities for the debt and what type of payment agreements were in place.

This was caused by the Kentucky Association of Counties (KACo) Leasing Trust not providing final debt documentation until after the first payment was made from the payment account.

By not having adequate documentation, the fiscal court cannot ensure that appropriate payments are made to the correct agencies. Also, without the contracts, it is more difficult for the fiscal court to budget for upcoming payments and financing issues.

Good internal controls dictate the fiscal court maintain sufficient documentation for all payments, including debt payments. Final agreements allow the fiscal court to ensure that all parties are performing their agreed upon duties.

We recommend the Todd County Fiscal Court maintain all supporting documentation and contracts for all debt issuances.

*County Judge/Executive's Response: County Treasurer did not receive bank statements from bonding agency in a timely fashion to document said debt on quarterly reports.*

**The fiscal court did not approve cash transfers properly:** None of the cash transfers tested were approved by the fiscal court before they were made. Instead, cash transfers were approved by the fiscal court with the treasurer's monthly report the following month. \$515,420 of the \$2,529,950 in cash transfers made by the fiscal court were not approved properly.

This was due to a misunderstanding of the requirements for budget transfers. The fiscal court was under the assumption that budgeted transfers were adequate for cash transfers between funds. However, this does not satisfy requirements set by the Department for Local Government (DLG).

By not following the requirements set by DLG for budget transfers, the fiscal court cannot ensure that cash transfers are handled appropriately. Cash transfers between funds could also be made that the fiscal court would not have approved.

DLG's *County Budget Preparation and State Local Finance Officer Policy Manual* sets specific guidelines on how fiscal courts are allowed to make cash transfers between funds. Per DLG, all transfers require a court order before they can be made.

We recommend the Todd County Fiscal Court follow the requirements set in the DLG budget manual and approve a court order before making cash transfers between funds.

*County Judge/Executive's Response: Fiscal Court budgets/approves cash transfers when adopting the budget. In the past the treasurer has moved the money as needed and recorded such transfers on the treasurers report monthly. The treasurer's report is approved / voted on monthly. In the future the treasurer will list the cash transfers and submit to Fiscal Court separately for approval before making transfers.*

**The Todd County Fiscal Court did not properly utilize purchase orders:** During testing of disbursements, we noted 41 instances in which a disbursement did not have a corresponding purchase order issued. We also noted seven instances in which a disbursement was issued a purchase order prior to payment, but did not include adequate information. The date, vendor, corresponding fund, and item description were listed. However, the purchase order did not include the amount (or estimated amount) of each purchase, the appropriation code to which the claim would be posted, or the signature of the department head requesting the purchase.

The fiscal court lacks strong internal controls and oversight with regard to the purchase order process and fails to follow the procedures established by the Department for Local Government (DLG) through KRS 68.210.

The lack of internal controls and oversight led to numerous disbursement account codes having a negative balance at some point during the fiscal year. This is neither compliant with purchasing requirements for counties, nor an effective implementation of internal controls. The purpose of a purchase order system is to ensure the county is aware of cash balances and adequate budget capacity at any given time. Without amounts or estimated amounts and appropriation codes, it is impossible for the county to determine if there are adequate cash balances and adequate budget capacity to cover the purchases, which could lead to overspending. This also prevents the county from disclosing complete and accurate encumbrance information, which impacts their ability to report complete and accurate financial information at year end.

Good internal controls dictate that the purchase order system be used correctly to ensure there is sufficient budget for all purchases made. In addition, KRS 68.210 requires the state local finance officer to create a system of uniform accounts for all counties and county officials. The DLG's *County Budget Preparation and State Local Finance Officer Policy Manual* outlines requirements for the handling of public funds, including required purchasing procedures for counties. These requirements prescribe that (1) purchases shall not be made without approval by the judge/executive (or designee), and/or a department head, (2) purchase requests shall indicate the proper appropriation account number to which the claim will be posted, and (3) 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.

We recommend the Todd County Fiscal Court strengthen their internal controls over purchase orders and ensure that purchase orders are obtained prior to all purchases. We also recommend the Todd County Fiscal Court ensure that all purchase orders comply with DLG's requirements and guidance for the purchase order procedures per the *County Budget Preparation and State Local Finance Officer Policy Manual*.

*County Judge/Executive's Response: Fiscal Court will consult with department heads to assure purchase orders are acquired for each purchase. Finance Officer will correspond with Treasurer to assure there is money to cover such purchases.*

*County Jailer's Response: The Todd County Jail will utilize the appropriation account number as the first digits of purchase orders to accommodate tracking funds of each line item expenditure in the account.*

**The debt reported on the fourth quarter report is not accurate:** There were multiple issues with the outstanding debt listing included on the fourth quarter report that was submitted. The new economic assistance bonds were not included on the report even though they were issued May 1, 2018. Two other debt issuances were misstated due to being recently financed and the numbers were not properly updated. The remaining two debt issuances did not agree to audited figures for unknown reasons. In total, debt per the fourth quarter report was understated by \$8,235,179. This was caused by an oversight by the county treasurer and was not noticed by the fiscal court.

By not including all outstanding debt on the fourth quarter report, the usefulness of the report as a budgeting tool is reduced. This also could misrepresent the county's financial standing if applying for additional debt or for budgeting purposes and does not present the full picture of the financial status to the public.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires officials to submit quarterly reports to the Department for Local Government (DLG) by the 20<sup>th</sup> day following the close of each quarter. On the fourth quarter report, all outstanding debt is required to be shown in a listing that is attached.

We recommend the Todd County Fiscal Court ensure that all outstanding debt as of June 30 of each fiscal year be included on the fourth quarter reports.

*County Judge/Executive's Response: Todd County Treasurer has corresponded with bonding agency to assure agreements with Todd County Fiscal Court are presented to treasurer in a timely manner that will allow the treasurer to record such debt on financials that are presented to the Fiscal Court.*

**The Todd County Fiscal Court overspent a budgeted line item:** The Todd County Fiscal Court overspent one line item. The fiscal court overspent the general government line item of the general fund by \$3,242,289. This line item was overspent due to a large land purchase near the end of the year from bond proceeds. This land was going to be used for economic development. This disbursement was not included in the county's fourth quarter report due to it happening outside of their main bank account used for budgeted funds and happening close to the end of the fiscal year.

By not having the proper budget amendments, the county was not in compliance with KRS 68.300 and KRS 68.280. 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 budget appropriation, shall be void.” 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.”

We recommend the county comply with KRS 68.300 and KRS 68.280 by budgeting all county transactions, including those monies received and disbursed for the economic assistance bonds, monitoring the budget throughout the year, and obtain budget amendments when necessary.

*County Judge/Executive’s Response: Finance Officer will correspond with treasurer before awarding purchase orders to assure there is appropriations in a particular line before the purchase is made.*

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

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