



Auditor of Public Accounts
Mike Harmon

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Harmon Releases Audit of Bourbon County Fiscal Court

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statement of the Bourbon County Fiscal Court for the fiscal year ended June 30, 2022. 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 Bourbon County Fiscal Court in accordance with accounting principles generally accepted in the United States of America. The fiscal court's financial statement did not follow this format. However, the fiscal court's financial statement is fairly presented in conformity with the regulatory basis of accounting, which is an acceptable reporting methodology. This reporting methodology is followed for 116 of 120 fiscal court audits in Kentucky.

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 findings:

The Bourbon County Fiscal Court's fourth quarter financial statement was materially misstated: This is a repeat finding and was included in the prior year audit report as Finding 2021-003. Bourbon County Fiscal Court's fourth quarter financial report required adjustments to the general fund. There is a Kentucky Association of Counties (KACo) park lease account for funds borrowed in a prior year but not yet expended that was not included in the general fund year-end total. These funds are available for county use, and therefore should be included in the general fund balance.

Internal controls were not in place to ensure the accurate amount was reported on the fourth quarter financial statement. The effect of this adjustment on the June 30, 2022 fourth quarter financial statement is as follows:

- Increase Prior Year Carryover \$538,826 to include the park lease funds held in escrow
- Increase Interest \$164 to include interest earned on the park lease fund held in escrow

Overall, there was material understatement of the ending fund balance of the general fund of \$538,990.

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 Local Finance Officer Policy Manual*. Those standards require an accurate financial statement. Furthermore, good internal controls over the processing and review of financial reporting could detect these omissions before the fourth quarter financial statement was finalized and submitted to DLG.

To comply with regulatory reporting requirements, we recommend the fiscal court implement adequate internal controls, oversight, and review procedures to ensure all activity is accurately recorded on the fourth quarter financial statement.

County Judge/Executive's Response: Implement adequate internal controls to ensure all activity is accurately recorded on the fourth quarter financial statement.

The Bourbon County Fiscal Court's schedule of expenditures of federal awards was inaccurate: The Bourbon County Fiscal Court's schedule of expenditures of federal awards (SEFA) did not accurately report federal grant expenditures for fiscal year ended June 30, 2022. The SEFA originally submitted to the Department for Local Government (DLG) included only Coronavirus State and Local Fiscal Recovery Funds of \$1,921,794 as a Provided to Subrecipient amount. These funds were not provided to a subrecipient. The correct amounts to include on Bourbon County's SEFA were federal expenditures of \$493,000 of Community Development Block Grant (CDBG) funds for the YMCA project; \$61,516 for the Victims of Crime Act (VOCA) grant; and \$3,844 of American Rescue Plan Act (ARPA) funds.

The treasurer was not clear as to what amounts should be reported on the SEFA for grant funds expended by the fiscal court. Because the treasurer's SEFA was inaccurate, the county is not in compliance with Uniform Guidance section 508. Additionally, the SEFA is the determination factor for whether an entity is required to undergo a single audit, in accordance with Uniform Guidance, if the entity expends \$750,000 or more in federal funds during its fiscal year. Therefore, it is possible if the SEFA is inaccurately prepared the fiscal court could fail to have a single audit when necessary.

OMB Uniform Administrative Requirements, Cost Principles and Audit Requirements For Federal Awards 2 CFR 200.508(b) requires the auditee to "[p]repare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §200.510." 2 CFR

200.510(b) states, in part, “[t]he auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee’s financial statements which must include the total Federal awards expended as determined in accordance with §200.502... At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency....
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs ... identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule”

Additionally, good internal controls dictate the SEFA be complete and accurate.

We recommend the Bourbon County Fiscal Court ensure the SEFA is complete and accurately prepared for each fiscal year in which federal monies are expended.

County Judge/Executive’s Response: Implement adequate internal controls to ensure the SEFA is complete and accurately prepared for each fiscal year in which federal monies are expended.

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

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