



## Auditor of Public Accounts Allison Ball

**FOR IMMEDIATE RELEASE**

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### **Ball Releases Audit of Breckinridge County Fiscal Court**

**FRANKFORT, Ky.** – State Auditor Allison Ball has released the audit of the financial statements of the Breckinridge County Fiscal Court for the fiscal year ended June 30, 2023. State law requires annual audits of county fiscal courts.

Auditing standards require the auditor's letter to communicate whether the financial statements present fairly the receipts, disbursements, and changes in fund balances of the Breckinridge 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.

The audit contains the following findings:

**The Breckinridge County Fiscal Court failed to implement adequate internal controls over cash processes and financial reporting:** The former county treasurer failed to record borrowed money proceeds in the amount of \$147,175 and the corresponding purchase of the same amount for the new Motorola console system. Additionally, the former county treasurer failed to prepare a financial statement for the Breckinridge County Public Properties Corporation. The Administrative Office of the Courts (AOC) paid debt service payments on behalf of Breckinridge County Fiscal Court in the amount of \$952,650. Moreover, the Breckinridge County Fiscal Court failed to approve all cash transfers. In fiscal year 2023, the former treasurer made three cash transfers totaling \$2,688,709. Two cash transfers totaling \$2,388,709 were not approved by the fiscal court.

We recommend the fiscal court ensure that they properly budget and record all borrowed money and any related purchases. Additionally, the fiscal court should ensure that they properly budget and record all borrowed money and any related purchases. We also recommend the fiscal court provide proper oversight with regards to the accounting for and the reporting on the Breckinridge County Public Properties Corporation. All cash transfers be approved by the fiscal court prior to being made by the county treasurer.

*County Judge/Executive's Response: This was a bookkeeping oversight and closer monitoring will be used in the future. All borrowed money will be budgeted in the future budgets.*

**The Breckinridge County Fiscal Court failed to implement adequate internal controls over debt and debt service:** The June 30, 2023, outstanding principal balances reported on the fourth quarter financial report were materially misstated when compared to actual principal payments and amortizations schedules. According to the fourth quarter financial report, the total outstanding principal balances were \$7,518,593 as of June 30, 2023. This figure should have been \$7,919,333. The county treasurer entered the incorrect ending principal balances for two debt issuances.

We recommend the county strengthen internal controls over the reporting of debt and debt service. Internal controls, such as comparisons of payment amounts (including interest payments) and outstanding balances to amortization and payment

schedules, should be implemented. Such practices will strengthen internal controls over liabilities and debt service and ensure that proper amounts are reported.

*County Judge/Executive's Response: We will strengthen our internal controls over debts and debt service.*

**The Breckinridge County Fiscal Court failed to implement adequate controls over offsite receipts:** The fiscal court failed to implement adequate controls over offsite animal shelter receipts and swimming pool receipts. Triplicate receipts were issued and maintained at the swimming pool and a daily checkout sheet was prepared, but receipts were only being deposited once a week by the treasurer. Triplicate receipts were not being maintained with the deposit detail as supporting documentation and deposits were only being turned over to the county treasurer once a month. In addition, the animal shelter was issuing cash refunds to customers that returned adopted animals.

We recommend that the Breckinridge Fiscal Court ensure that all offsite receipts be deposited on a daily basis intact to a federally insured banking institution and that those deposits be properly supported by triplicate receipts issued at the offsite locations.

*County Judge/Executive's Response: The animal shelter and pool receipts will be completed in triplicate and daily checkout sheets will be used. Timely deposits will be made for both groups.*

**The Breckinridge County Fiscal Court did not have adequate controls over disbursements:** The following exceptions were noted during testing of disbursements: five invoices totaling \$182,861 were not paid within 30 working days of receipt and purchase orders were not issued for nine transactions. According to staff, purchase orders were not issued for all disbursements due to a lack of understanding of DLG requirements and guidance. In order for all disbursements to be approved by fiscal court prior to payment, some invoices were paid late due to the timing of fiscal court meetings.

We recommend the Breckinridge County Fiscal Court strengthen internal controls over disbursements by ensuring that purchase orders are issued prior to all purchases being made and that all invoices are paid within thirty working days.

*County Judge/Executive's Response: Fiscal court meets once a month and it is sometimes over 30 days before some claims are paid. Vendors are told that information before a purchase is made. We use a P.O. system and some departments forget to issue a P.O. We have re-emphasized that a P.O. must be obtained before a purchase is made.*

**The Breckinridge County Jail's Commissary Report did not include all required elements:** The Breckinridge County Jail's Annual Commissary Report does not include the beginning or ending cash balance of the commissary account nor meet the minimum accounting requirements established by Department of Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*. The jail bookkeeper stated that she was unaware of this requirement to include the beginning and ending cash balances on the annual commissary report to the county treasurer.

We recommend the Breckinridge County Jailer submit an annual commissary report prepared in accordance with the Department of Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* to the county treasurer.

*Jailer's Response: We believe that the trial balance report is sufficient as the beginning/ending balance is indicated on this report.*

**Auditor's Reply:** The annual commissary report presented to the county treasurer did not meet the minimum accounting requirements established by the Department of Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*.

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

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