



Auditor of Public Accounts
Mike Harmon

FOR IMMEDIATE RELEASE

Contact: Michael Goins
Michael.Goins@ky.gov
502.564.5841
502.209.2867

Harmon Releases Audit of Calloway County Fiscal Court

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statement of the Calloway County Fiscal Court for the fiscal year ended June 30, 2021. 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 Calloway 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 comment:

The Calloway County Fiscal Court's schedule of expenditures of federal awards was materially overstated: This is a repeat finding and was included in the prior year audit report as Finding 2020-005. The Calloway County Fiscal Court's original schedule of expenditures of federal awards (SEFA) was materially overstated by \$1,002,208, requiring a material adjustment. The total overstatement is made up of the following errors made on the following programs:

- Assistance Listing Number 21.019 – \$878,909 was included on the schedule of expenditures of federal awards that was expended in Fiscal Year 2020.

- Two state grants were included on the schedule of federal expenditures. \$10,000 was included as a Kentucky Ambulance Block Grant and \$103,912 was included as a Kentucky 911 Services Grant. These two state programs resulted in a total misstatement of \$113,912.
- Federal expenditures in the amount of \$9,387 for the emergency management director's salary were omitted from the schedule of expenditures of federal awards.

According to the county treasurer, all monies awarded by the coronavirus relief fund were received in Fiscal Year 2021 and were mistakenly documented as Fiscal Year 2021 federal expenditures. In addition, it was thought that the ambulance grant and 911 services grant were federal money. Also, according to the county treasurer, the county was not aware that the reimbursement for the emergency management director's salary was required to be included on the schedule of expenditures of federal awards.

As a result of the errors made and the lack of effective operating controls, the original schedule of expenditures of federal awards was materially misstated. Furthermore, the fiscal court is not in compliance with 2 CFR 200.510(b).

Strong internal controls over financial reporting are vital in ensuring that federal awards expended are accounted for and reported properly. Strong internal controls are also important in safeguarding the county's assets and those given the responsibility of accounting for them, as well as helping make certain the county is in compliance with all requirements and guidance. Additionally, 2 CFR 200.510(b) states, "[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."

We recommend the Calloway County Fiscal Court implement or strengthen controls over federal award expenditures reporting to ensure amounts reported represent federal expenditures during the year.

County Judge/Executive's Response: Calloway County will strengthen its controls over the federal expenditure reporting by verifying what branch the grant is received from. [Name redacted] will keep a list of all expenditures throughout the year that should be listed on the federal expenditure report.

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

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