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Ball Releases Audit of Fulton County Fiscal Court

FRANKFORT, Ky. – State Auditor Allison Ball has released the audit of the financial statements of the Fulton 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 Fulton 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 Fulton County Fiscal Court failed to implement adequate internal controls over accounting functions and financial reporting including adequately segregating duties: The former treasurer was responsible for preparing monthly, quarterly, and annual financial reports. There were no functioning internal controls in place to monitor, provide oversight, or check the work performed by the former county treasurer.

We recommend the Fulton County Fiscal Court segregate the duties involved in recording receipts and disbursements, reconciling bank accounts, and preparing monthly, quarterly, and annual financial reports so that one individual does not have control over the entire accounting and reporting functions.

County Judge/Executive’s Response: Since a new County Treasurer was appointed in May 2023, the Finance Officer and the County Treasurer have worked diligently to properly implement dual control of the county’s finances. The Finance Officer continues to keep thorough spreadsheets and copies of checks and bills while the Treasurer reconciles and keeps records in accounting software. The two are then able to compare and verify each other.

The Fulton County Fiscal Court’s outstanding debt balances were materially understated: The Fulton County Fiscal Court reported outstanding interest of \$45,917 on fourth quarter financial statement submitted to the Department for Local Government. However, the confirmed outstanding interest balance was \$916,798, resulting in an understatement of \$870,881. This was due to the former county treasurer reporting total monthly debt payments to the outstanding interest, and the fiscal court failing to implement control procedures. We recommend the Fulton County Fiscal Court implement internal control procedures to ensure outstanding principal and interest balances are accurately reported.

County Judge/Executive’s Response: After obtaining updated amortization schedules, the County Treasurer is now able to update the principal and interest owed monthly on outstanding debt. This procedure has been implemented and, therefore, this issue has already been remedied.

Restricted fund balances are due from the general fund: In prior years, the fiscal court maintained one operating bank account for the general, road, jail, and DES funds. During the current fiscal year, the county decided to open separate bank accounts for each of the restricted funds. However, the correct fund balance of each fund was not deposited into the new accounts. As of June 30, 2023, the general fund owed the road fund \$109,407, the jail fund \$246,446, and the DES fund \$200 to accurately record the beginning fund balances for each of these funds.

We recommend the Fulton County Fiscal Court transfer the remaining cash balances owed from the general fund to the other funds in order to accurately reflect fund balances. We also recommend that the county implement internal control procedures to ensure fund balances are reconciled and agree to the bank account balances.

County Judge/Executive's Response: Following the audit, the County was informed about money that was not transferred to the Jail Fund and the Road Fund. Fiscal Court approval was then granted to transfer these funds and the necessary transfers were completed. These properly made transfers have remedied this issue. Monthly bank reconciliations and proper implementation of internal controls will prevent this from happening in the future.

The Fulton County Fiscal Court failed to implement adequate internal controls over disbursements: We tested 58 transactions totaling \$2,244,841, which resulted in the following issues:

- Fifty-one (51) disbursements totaling \$2,157,493 had a purchase order that was dated after the invoice date.
- One (1) disbursement totaling \$43,363 did not have a purchase order.
- One (1) disbursement for contracted services did not include an invoice.
- Three (3) credit card transactions included sales tax.
- Encumbrances for FYE June 30, 2023 were omitted from the fourth quarter financial statement.

We recommend the Fulton County Fiscal Court implement internal controls over disbursement and procurement processes to ensure there are purchase orders issued prior to purchases made, purchase orders used to maintain an accurate list of encumbrances on the fourth quarter financial statement, and proper procurement procedures established.

County Judge/Executive's Response: With the current process and ongoing implementation of proper internal controls, the Finance Officer and County Treasurer will be able to ensure that purchase order policy is followed, and available line-item appropriation exists.

The Fulton County Jailer did not comply with bid requirements for a commissary purchase: The Fulton County Jailer purchased a medical sensor system using commissary funds totaling \$90,000. The medical sensor system was an allowable commissary purchase, however, the detention center failed to adhere to the state and county's competitive bid requirements. Furthermore, the sensor system also requires an agreement for monitoring and software support that costs \$22,000 every three years. This agreement was presented to the fiscal court after it was entered.

We recommend the Fulton County Detention Center strengthen internal controls to ensure compliance with KRS 424.260 for all future purchases. We also recommend that all contracts be presented to the fiscal court prior to their ratification to ensure the fiscal court's acknowledgement.

Jailer's Response: This finding results from a large purchase involving non-taxpayer COMMISSARY funds in which some new technology was purchased to further enhance the safety of prisoners here at our facility. The technology is some medical sensors which monitor heart rate and respiration rate of the inmates in isolation cells to potentially notify of medical emergencies. This technology was so new at the time that we were in the running to be the first institution nationally to have this equipment installed and operational. And as such, the company was and still are the only licensed dealer to sell these medical sensors. This was a large purchase and as such, I did my research regarding the County's procurement policy. The County's procurement policy does not address the purchase from a "sole source" vendor. I, mistakenly then checked with KRS 45A, the model procurement policy which does address those purchases from "sole source" vendors. As they are the only vendor to sell these sensors, I did not advertise for bids and made the purchase with would have not been a finding according to KRS 45A but is a finding as the County has adopted our own procurement policy. The thought process behind not bidding it out to the one

and only dealer was to not intentionally and knowingly waste money on the advertising as they are the only company who sells the sensors. I thought the intent of the legislature was for KRS 45A to be a model policy and in the case of our policy not addressing the “single or sole source” vendor referred to it for guidance in regard to the purchase.

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

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