



Auditor of Public Accounts
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Ball Releases Audit of Letcher County Fiscal Court

FRANKFORT, Ky. – State Auditor Allison Ball released the audit of the financial statements of the Letcher 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 statements present fairly the receipts, disbursements, and changes in fund balances of the Letcher 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 Letcher County Fiscal Court did not have effective internal controls, review procedures, and oversight for the budget process: The budget approved in the fiscal court minutes and by the Department for Local Government did not agree with the amount reported on the fourth quarter report. The approved budget had a difference of \$183,000. These errors have caused the budget to be out of balance for the jail and LGEA funds.

We recommend the fiscal court implement effective internal controls, oversight, and review procedures to ensure all budgeted amounts reflected on the fourth quarter financial report are complete and accurate and agree to the original budget.

County Judge/Executive’s Response: This has been corrected.

The Letcher County Fiscal Court did not properly report transfers: The Letcher County Fiscal Court used \$177,299 in American Rescue Plan Act (ARPA) funding from the Department of Treasury for premium pay in November 2021. These funds were transferred from the ARPA Fund to other county funds to fund the special payroll but were treated as expenditures within the ARPA Fund. The amount being reclassified to transfers will be \$177,299.

We recommend the fiscal court implement strong internal controls over the budgeting, recording, and reporting of funds to ensure financial reports accurately reflect the financial activity of the fiscal court.

County Judge/Executive’s Response: This has been corrected.

The Letcher County Fiscal Court did not have adequate procedures for reporting county liabilities: The Letcher County Fiscal Court reported outstanding interest balances of \$4,572,326 in the liabilities section of the fourth quarter report. The actual balance was \$2,702,622 resulting in interest balances in being overstated by \$1,869,704.

We recommend that the county improve procedures to ensure proper reporting of all county liabilities on the financial statement.

County Judge/Executive's Response: This is an issue with how the treasurer reported those amounts on the accounting software. It will be changed to reflect the interest left owing on the life of the loan/lease.

The Letcher County Fiscal Court lacks adequate controls over disbursements: The fiscal court's controls associated with disbursements were not operating as intended. Based on items tested, disbursements were paid late, purchase orders were completed after the payment date, and some purchase orders were not created at all.

We recommend the fiscal court implement proper internal controls over expenditures and ensure they are operating effectively.

County Judge/Executive's Response: We will make sure each employee follows proper purchasing procedures.

The Letcher County Fiscal Court and the Letcher County Recreation Center lacks adequate segregation of duties over receipts: The county treasurer is responsible for receiving receipts, preparing deposits, taking deposits to the bank, posting receipts to ledgers, preparation of financial reports, and reconciling bank accounts. The recreation center director collects receipts, prepares daily checkout sheets, prepares deposits, and takes deposits to the bank.

We recommend the fiscal court and the recreation center separate the duties involving receipt processing. If this is not feasible due to a limited budget, strong oversight over these areas could occur and involve an employee that is not currently performing any of those functions.

County Judge/Executive's Response: We will change collection and depositing procedures for the Recreation Center as recommended.

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

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