



Auditor of Public Accounts Allison Ball

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Ball Releases Audit of Letcher County Fiscal Court

FRANKFORT, Ky. – State Auditor Allison Ball has released the audit of the financial statements of the Letcher 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 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’s financial statement was materially misstated: The county treasurer deposited loan proceeds of \$1,000,000 for the flood loan fund into the clerk storage fees fund in error. The error was discovered, and the funds were transferred to the correct fund. However, the financial statement shows the \$1,000,000 as a receipt of the clerk storage fees fund.

We recommend the fiscal court implement internal controls over receipts and deposits by ensuring that funds are deposited in the correct account and any errors or mistakes are not presented on the financial statement.

County Judge/Executive’s Response: When electronic deposits are made in the wrong fund, we will not post in the account the funds were erroneously placed in.

The Letcher County Fiscal Court did not have adequate controls over processing and recording withholdings: The Letcher County Fiscal Court’s internal controls over processing and recording withholdings were not operating effectively. The county treasurer failed to submit federal tax withholding forms, several federal tax withholding payments were paid late, several state withholdings were only paid for half of the pay periods, and the county treasurer failed to disburse city payroll taxes for fiscal year 2023, resulting in \$12,847 due to the City of Whitesburg.

We recommend the fiscal court implement internal controls over payroll liabilities. Internal controls such as a thorough review of payroll earnings records should be performed by an individual independent of the payroll process and comparison of amounts due to amounts paid. Once completed, the review should be signed by the individual performing the review and submitted to the county judge/executive and the fiscal court.

County Judge/Executive’s Response: All withholdings will be made timely.

The Letcher County Fiscal Court lacks adequate segregation of duties over receipts and reconciliations: The county treasurer is responsible for receiving receipts, preparing deposits, taking deposits to the bank, posting receipts to the ledgers, preparing financial reports, and reconciling bank accounts. There is no documented review of these processes.

We recommend the fiscal court separate duties involving receipt processing. If this is not feasible due to a limited budget, strong oversight over these areas could occur. This oversight should be documented by dating, signing, or initialing.

County Judge/Executive's Response: An extra person will be appointed by Judge Adams to review receipts and reconciliations.

The Letcher County Fiscal Court does not have strong internal controls over disbursements: During the fiscal year ending June 30, 2023, the following issues were noted: no documented county employee verified the majority of haul tickets for delivery of road materials; 12 instances where invoices were not paid 30 working days of receipt; two transactions did not have purchase orders as required by the county's policies and procedures and DLG requirements; 56 transactions had purchase orders that were approved/created after the payment date; interest charged on credit card statements totaled \$112; three credit card purchases that were charged sales tax totaling \$63; seven missing credit card receipts that were not turned in for payment resulting in credit card statement having a previous balance; and six disbursements that were missing a total of 328 haul tickets documenting delivery of road materials.

The APA appreciates the difficulties that occurred during the catastrophic disaster in Letcher County. These findings are based on testing adopted policies and procedures. The Auditors Office is sympathetic to the events that occurred in Letcher County and understands this behavior may not reflect normal practices of Letcher County Fiscal Court.

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

County Judge/Executive's Response: At the beginning of this fiscal year, Letcher County suffered a catastrophic flood. During the first few weeks after that flood, supplies were going to locations all over the county. In the aftermath of such a disaster, there were hundreds of people involved in recovery so some of the haul tickets, etc. were not signed and turned in to the finance officer timely. Under normal circumstances, we follow proper procedures.

The Letcher County Fiscal Court does not have adequate procedures for reporting county liabilities: The Letcher County Fiscal Court did not report outstanding interest balances correctly for long term liabilities related to debt service payments. The interest balances on all seven debts were not reported correctly, resulting in liabilities being overstated by \$2,223,088 for interest balances due as of June 30, 2023.

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

County Judge/Executive's Response: All proper corrections have been made on liabilities schedules.

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

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