



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

FRANKFORT, Ky. – State Auditor Allison Ball has released the audit of the financial statements of the Morgan 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 Morgan 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 Morgan County Fiscal Court did not approve interfund transfers in advance: An interfund transfer from the ARPA Fund for \$911,652 to the General Fund was made on July 1, 2022 and was not presented or approved by the fiscal court. Two interfund transfers from the General Fund totaling \$300,000 to the Jail Fund were made on August 31, 2022 and did not receive approval until September 19, 2022.

We recommend the fiscal court require all interfund transfers be approved by the fiscal court prior to the transfer being made.

County Judge/Executive’s Response: The current administration will ensure that all interfund transfers are approved by the fiscal court prior to the transfer being executed.

The Morgan County Fiscal Court lacks adequate internal controls over off-site receipts: Our review of the receipts process for the off-site locations which includes the transfer station, wellness center, and bowling alley revealed weaknesses in internal controls that should be addressed. The following deficiencies were noted no cash receipts were included with daily checkout sheets; deposits were not always made daily; lack of segregation of duties between receiving and reconciling; the transfer station only has a calculator tape to back up cash taken in for the day; and the wellness center and bowling alley lack supporting documentation.

We recommend the fiscal court establish effective internal control procedures to ensure all revenues are adequately documented, recorded, and deposited. We recommend the fiscal court comply with KRS 64.480 regarding receipts and ensure that these records are maintained for an appropriate time period.

County Judge/Executive’s Response: The current administration has established internal control procedures, which included installing point of sales systems, to satisfactorily document all revenues and ensure that they are adequately

recorded and deposited as per KRS 64.480. This administration will maintain these records for the appropriate time period.

The Morgan County Fiscal Court did not have adequate internal controls over disbursements: Proper procedures for disbursements were not followed to ensure payments were accurate and timely. Taxpayer monies were not properly spent due to late fees and state taxes being paid. The following deficiencies were noted eight invoices totaling \$45,012 were not paid within 30 days; one instance occurred where a single purchase order was issued to make multiple purchases totaling \$285 occurring over a period; and encumbrances totaling \$1,478,819 were owed from prior fiscal years.

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

County Judge/Executive's Response: The current administration has implemented proper internal controls over expenditures and ensures that they are operating effectively through a reliable system of timely entry and double checking prior to payment.

The Morgan County Fiscal Court did not follow competitive bidding requirements: The fiscal court and management failed to follow procedures outlined in the county's administrative code that outline provisions for bidding. The fiscal court and management did not have adequate oversight and review procedures in place to ensure competitive bidding policies and procedures were followed. The fiscal court is in violation of its administrative code and statutes for competitive bidding.

We recommend the fiscal court and management abide by the competitive bidding requirements outlined in the county's administrative code and KRS 424.260(1). We recommend adequate oversight procedures be implemented to ensure this process is followed for any purchases of like type items that exceed \$30,000 during the fiscal year.

County Judge/Executive's Response: The current administration is adhering to the competitive bid requirements outlined in the county's administrative code and KRS 424.260(1). Adequate oversight procedures have been put into effect to guarantee that the proper process is followed for any purchases of like type items that exceed \$40,000 during the fiscal year.

The Morgan County Fiscal Court adhere to fourth year expenditure restrictions: The original budget for the Road Fund was \$3,929,820. No budget amendments were filed prior to January 1, 2023. As of December 31, 2022, road fund expenditures totaled \$4,080,548, which is 104% of the total road budget.

We recommend management ensure that adequate internal controls and oversight procedures are in place to monitor budgeted and actual expenditures at all times but especially in each fourth year in order to comply with statutory requirements.

County Judge/Executive's Response: This administration has put into action internal controls and oversight procedures to monitor budgeted and actual expenditures at all times, particularly in each fourth year in order to comply with KRS 68.310 and to prevent expending in excess of 65% of the amount budgeted in any fund.

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

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