



Auditor of Public Accounts
Mike Harmon

FOR IMMEDIATE RELEASE

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Harmon Releases Audit of Nicholas County Fiscal Court

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statement of the Nicholas 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 statement presents fairly the receipts, disbursements, and changes in fund balances of the Nicholas 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 Nicholas County Fiscal Court did not establish and maintain effective internal controls over financial reporting of federal awards: The Nicholas County Fiscal Court did not have adequate internal controls over grant management. The schedule of expenditures of federal awards (SEFA) did not accurately represent amounts expended for federal programs.

The county was awarded \$705,959 in American Rescue Plan Act (ARPA) funds. In October 2021, the county transferred \$459,659 from the ARPA fund into the general fund for “lost revenue” according to the fiscal court meeting minutes. It appears that the amount reported on the SEFA was the amount received from the federal program instead of what was expended, resulting in a misstatement of \$246,300.

An effective internal control system was not in place in Nicholas County to ensure compliance with requirements related to the SEFA. Failure to establish and maintain effective internal controls over compliance over the SEFA resulted in a misstatement of \$246,300.

2 CFR 200.303 states in part:

“The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

2 CFR §200.302(b) states in part, “[t]he financial management system of each non-Federal entity must provide for the following: ... (2) [a]ccurate, current and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set for in §§200.328 and 200.329.” In addition, §200.502(a) states in part, “[t]he determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs.” Therefore, the county should only include expenditures on the (SEFA).

We recommend the county establish and maintain internal controls over compliance for all federal program expenditures to ensure accurate use and reporting of federal awards.

County Judge/Executive’s Response: Treasurer was advised by Dept of Local Government that the full amount needed to be listed on SEFA. Treasurer was not aware they were only supposed to put expended amount.

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

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