



Auditor of Public Accounts Allison Ball

FOR IMMEDIATE RELEASE

Contact: Joy Pidgorodetska Markland
Joy.Markland@ky.gov
502.352.5216
502.209.2867

Ball Releases Audit of Pulaski County Fiscal Court

FRANKFORT, Ky. – State Auditor Allison Ball has released the audit of the financial statements of the Pulaski 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 Pulaski 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 Pulaski County Fiscal Court lacks adequate segregation of duties over cash, receipts, and reconciliations: The county treasurer records receipts, prepares deposits, and reconciles the bank accounts. The fiscal court has implemented some compensating controls; however, these controls are insufficient to reduce the risk of material misstatement.

We recommend the fiscal court separate duties over cash, receipts, and reconciliations. If these duties cannot be separated due to limited staff or limited budget, then strong oversight over those areas should occur by an employee not currently performing any of those functions.

County Judge/Executive’s Response: PCFC added an additional person in the finance office. The finance officer will receive all monies and log receipts. This will be verified by another person in the office, verification will be signed and dated. Another person will deposit all monies.

The Pulaski County Fiscal Court lacks adequate controls over occupational tax receipts: The occupational tax employees can change amounts collected in the software program, and the ability to wave interest and penalty without approval. In addition, the employees have failed to compare actual tax returns to the amount posted. This material deficiency caused a material misstatement of \$1,627,734 in occupational tax receipts on the financial statement.

We recommend the fiscal court contact the computer software company to alleviate the ability to change the amount collected and the ability to remove penalties and interest charged to taxpayers. We also recommend the fiscal court segregate duties and implement necessary compensating internal controls over receipts.

County Judge/Executive’s Response: The software company will limit editing privileges to the tax administrator. All monies received are logged and verified by the finance officer and then deposited.

The Pulaski County Fiscal Court’s budget was not prepared or reviewed properly: The following occurred: several line-item accounts exceeded the budgeted amounts on the fourth quarter report; the Opioid Fund was not budgeted originally but was documented on the fourth quarter financial report without approved budget amendments; the Road Fund overspent its budgeted debt service line item by \$10,099 and the capital projects line item by \$2,175,481; the Fire Fund overspent their budgeted protection to persons and property line item by \$100,395 and the other facilities line item

by \$36,822; the 911 Fund overspent its budgeted debt services by \$4,614; and the Clerk Storage Fund overspent their budgeted general government by \$4,877.

We recommend the Pulaski County Fiscal Court ensure all line items are properly budgeted. The budget should be reviewed periodically by management and department heads, and always before a purchase order is approved and the expenditure is completed. Budget transfers or amendments should be prepared and reported properly.

County Judge/Executive's Response: The PCFC has implemented a set of procedures to govern the way the Fiscal Court budget is to be prepared and reviewed. PCFC will follow the standards for preparing and reviewing provided by DLG.

The Pulaski County Fiscal Court did not have strong internal controls over disbursements: Internal controls over disbursements were not operating as intended during fiscal year 2023. The following exceptions were noted: one disbursement tested was not approved by the fiscal court nor appeared to be a valid obligation of the fiscal court which totaled \$53,569; five invoices were paid late; three invoices were recorded in the wrong line items which totaled \$246,717; three fund transfers were improperly recorded as disbursements which totaled \$454,359; 63 invoices tested included purchase orders dated after the original invoice dates; one credit card invoice tested paid \$3 in finance charges; one credit card invoice tested paid \$4 in sales tax; three invoices supporting credit card transactions totaling \$124 were missing and one invoice for \$43 was illegible; and five invoices for credit card transactions totaling \$653 were improperly classified.

We recommend the fiscal court implement internal controls over disbursements to ensure they are operating effectively.

County Judge/Executive's Response: New procedures have been implemented to ensure that the purchase order process is initiated prior to purchases being made and invoices are turned in a timely manner for approval by Fiscal Court.

The Pulaski County Fiscal Court did not properly budget and include all debt activity in the financial statement: The fiscal court did not include financing proceeds for the purchases of seven heavy duty trucks and five boom mowers totaling \$2,226,337, nor did the fiscal court properly disclose all required debt information in the liabilities section of the June 30, 2023, quarterly financial report submitted to the Department for Local Government (DLG).

We recommend the Pulaski County Fiscal Court take the steps necessary to ensure all financial activity is presented in the financial statement as required by the regulatory basis of accounting. We also recommend the fiscal court properly disclose all debt on the liability section of the quarterly financial reports.

County Judge/Executive's Response: New procedures ensure that all debt has been properly budgeted and listed on the quarterly reports.

The Pulaski County Fiscal Court did not maintain proper records for the Public Properties Corporation Fund and General Obligation Bond Funds: The fiscal court maintained some of the bank statements that the county received, but not all statements were found. Receipt and disbursement ledgers were not maintained, nor were monthly bank reconciliations and financial statements prepared. \$1,918,243 of PPC fund receipts and PPC disbursements had to be adjusted to document PPC fund financial activity for fiscal year ended June 30, 2023. An adjustment of \$321,487 to the prior year's surplus line item in the general fund was also required for the general obligation bond funds not included in the quarterly report.

We recommend the fiscal court maintain all bank documents. We recommend the fiscal court prepare and maintain ledgers for receipts and disbursements of the PPC and general obligation bond funds. We also recommend monthly bank reconciliations be prepared for all funds. In addition, fiscal court should prepare end of the year financial statements for funds in order to ensure compliance with DLG requirements.

County Judge/Executive's Response: The PCFC will prepare and maintain ledgers for receipts and disbursements of the PPC and general obligation bond funds. Monthly reconciliations will be prepared for all funds. Additionally, PCFC will prepare year end financial statement for funds to ensure compliance with DLG requirements.

The Pulaski County Detention Center did not have strong internal controls over disbursements: Supporting documentation was not maintained and appropriate and proper procedures were not followed for exceptions noted during testing. During our testing of 39 disbursements from the Jail Commissary Account, Inmate Fund disbursements, and credit card transactions, we noted the following deficiencies: two disbursements were not supported with a detailed invoice; one disbursement was not paid within 30 days; one disbursement was a duplicate payment for a previously paid invoice; and the jailer did not bid for a litter vacuum which exceeded the bidding threshold of \$20,000.

We recommend the jailer implement good internal controls over disbursements by ensuring all purchases have an invoice, paying invoices within 30 working days of the invoice received date, and sufficient monitoring of disbursements to ensure duplicate payments do not occur. We further recommend the jailer monitor disbursements to ensure procurement procedures are followed for all purchases and contracts in the future.

County Judge/Executive's Response: The Jailer has implemented stronger internal controls to eliminate these deficiencies, making sure that all invoices are accounted for and paid within the prescribed time. This coincides with personnel changes in the business office of the jail.

The Pulaski County Fiscal Court did not follow proper procurement procedures for purchases over \$20,000: The fiscal court paid for the following items during fiscal year ending June 30, 2023: paid \$77,215 for a general contractor for the construction of the coroner's office; \$29,045 for a road contractor to widen a county road; \$27,500 for kitchen equipment for the detention center; \$21,052 for a security system for the special response team (SRT) center; and the fiscal court paid \$53,569 to a subcontracted vendor for building materials included as an obligation to the primary vendor in another bid for the construction of the SRT center.

We recommend the fiscal court monitor disbursements to ensure procurement procedures are followed properly for all purchases and contracts in the future.

County Judge/Executive's Response: Department managers have been trained by finance personnel on correct purchasing procedures related to the Model Procurement and the administration code of the county.

The Pulaski County Fiscal Court did not maintain complete and accurate capital asset schedules: The former county judge/executive's administrative assistant was responsible for maintaining the schedule and maintained a workbook to document additions and deletions to the schedule for the fiscal year. Furthermore, there was no evidence that a physical inventory of the fiscal court's capital assets had been completed.

We recommend the fiscal court maintain a complete and accurate capital asset schedule to comply with the Department for Local Government requirements. Policies should be implemented that will identify and track additions and deletions for the purpose of the capital asset schedule and required insurance coverage. In addition, the fiscal court should complete a physical inventory at least yearly to ensure all assets meeting the fiscal court's capitalization policy threshold are included.

County Judge/Executive's Response: Since the county has additional personnel, the duty to review for accuracy will be assigned to one individual. We are currently getting the capital assets schedules inventoried and will continue to maintain those schedules. The inventory will be performed annually and maintained on a regular basis.

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

###

The Auditor of Public Accounts ensures that public resources are protected, accurately valued, properly accounted for, and effectively employed to raise the quality of life of Kentuckians. Call 1-800-KY-ALERT or visit our website to report suspected waste and abuse.

