



Auditor of Public Accounts
Mike Harmon

FOR IMMEDIATE RELEASE

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Harmon Releases Audit of Robertson County Fiscal Court

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statement of the Robertson 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 Robertson 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 findings:

The general fund owes the road fund \$53,150: This is a repeat finding and was included in the prior year audit report as Finding 2021-01. During Fiscal Year 2009, the fiscal court transferred funds from the road fund to the general fund in excess of the amount allowable according to the road cost allocation worksheet. The overage was \$96,500. The county was to return the excess amount back to the road fund from the general fund. Due to cash flow constraints, the county has been making payments each year from the general fund to the road fund to try and reduce the amount owed. However, during Fiscal Year 2022, the county did not make any payments to the road fund. The outstanding liability amount was \$53,150 as of June 30, 2022.

In Fiscal Year 2009, \$96,500 of restricted road funds were transferred to the general fund in excess of the approved amount. This created a receivable and payable between the funds. Under the regulatory basis of accounting, fund balances are not adjusted on the financial statement for the unpaid liability; however, the liability is still owed.

KRS 177.320(1) requires road funds to be used for the “construction, reconstruction and maintenance of secondary and rural roads and for no other purpose”. The road fund is restricted for transportation, with the exception of the approved amount calculated on the road fund cost allocation worksheet.

We recommend the general fund liability be paid as money becomes available.

County Judge/Executive’s Response: The County Treasurer (per the request of the former CJE) reimbursed The Road Fund, from The General Fund, \$5,000.00, on September 27, 2022, leaving a balance due of \$48,150.00. The County will continue to reimburse The Road Fund, as funds are available.

Five disbursements totaling \$167,053 were made and not presented to the fiscal court prior to payment: During disbursements testing, five instances totaling \$167,053 were noted where disbursements were not presented to the fiscal court prior to payment or included on the annual standing order to preapprove certain recurring expenses. Subsequent to payment, they were presented to the fiscal court. According to the county, bills were due before the fiscal court meeting, and they didn’t want the invoice to be past due. The fiscal court was unaware of the county’s financial condition at time of disbursement.

KRS 68.275 requires claims within budget line items and authorized by the fiscal court be paid by the county judge/executive and co-signed by the county treasurer. In addition, KRS 68.275 also requires the county judge/executive to present all claims to the fiscal court for review prior to payment unless the expenses are included on a standing order adopted by the fiscal court to preapprove the payment of certain claims such as monthly payroll and utility expenses.

We recommend all disbursements that are not on the annual standing order be presented to fiscal court prior to payment.

County Judge/Executive’s Response: We are reviewing the procurement policy. Purchasing guidelines have been restated to all departments. The guidelines for purchasing will be more strictly monitored and followed. Prior Fiscal Court approval will be obtained for all purchases that exceed pre-approved purchasing limits or that are not allowable standing orders.

The Robertson County Fiscal Court had disbursements in excess of budgeted line items resulting in a deficit: One line-item appropriation within the jail fund was in excess of budgeted amounts. This means the funds were spent from line items that did not have budget available per the appropriation ledger. The fund overspent their budget total, and the bank account was left in a \$2,040 deficit.

Controls were not in place to make sure someone was actively monitoring appropriations to ensure they did not exceed budgeted amounts, or if an expenditure was going to cause a line item to be overspent, that a line-item budget transfer was done before the expenditure was made.

Having line items that exceed budgeted amounts puts the county in noncompliance with state budget requirements.

KRS 68.210 requires the state local finance officer to create a uniform system of accounts for all counties and county officials. The *County Budget Preparation and State Local Finance Officer Policy Manual* outlines requirements for handling of public funds, including required purchasing procedures for counties. These requirements prescribe that “[p]urchase requests shall not be approved in an amount that exceeds the available line item appropriation unless the necessary and appropriate transfers have been made.”

KRS 68.300 requires that no appropriation in excess of any budget fund should be made or claim allowed by the fiscal court. Claims of that nature shall be void and no member of the fiscal court shall vote for any such illegal appropriation or claim. The county treasurer shall be liable on her official bond for the amount of any county warrant willfully or negligently signed or countersigned by her in excess of the budget fund out of which the warrant is paid.

Good internal controls for purchase requests exceeding budget appropriations would lead to discussion with both the county treasurer and the county judge/executive as to whether the purchase order will be issued, the necessity and appropriateness of a budget transfer to cover the expense, and if other issues need to be addressed related to spending.

We recommend the county strengthen controls over the disbursements process to ensure purchases being made do not cause an issue with overspending a line-item budget amount. If it looks like that will occur there should be discussion with both the county treasurer and the county judge/executive as to whether a budget transfer needs to be completed prior to the expense being made in order to be in compliance with applicable state statutes.

County Judge/Executive's Response: In the future, the Jail Fund will be monitored, and amendments made as needed.

The Robertson County Fiscal Court does not reconcile the payroll revolving account to a set amount each month resulting in a deficit: The payroll revolving account is not reconciled to a set amount each month. The county has a revolving payroll bank account with a June 30, 2022 negative reconciled bank balance of (\$20,906) after all June 30 liabilities that could be identified were accounted for. Per county staff inquiry, each payroll amount due is transferred from the proper funds to the payroll revolving account. They are unsure why there is a negative balance. If the county does not reconcile the payroll account, there is the possibility there will not be available funds when payroll checks are clearing.

Good internal controls dictate a revolving account should be reconciled to zero, or other set amount, monthly and if there is a remaining balance in the account it should be investigated timely

and determined if liabilities have not been paid or a deposit was made incorrectly or if reimbursements were made that can be used to offset future payroll liabilities.

We recommend the fiscal court review the negative balance in the payroll revolving bank account to determine and properly reconcile the account to zero or another set amount.

County Judge/Executive's Response: Upon further research, we believe the negative "true" balance is a result of how the retirement match was calculated and submitted, for a continued length of time, under the prior CJE. We are contacting CERS to confirm. Upon verification (and/or a retirement plan audit), we hope to have these funds reimbursed. Upon resolution of the issue, the account will be reconciled to "zero" or some other set small balance each month.

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

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