



Auditor of Public Accounts
Mike Harmon

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Harmon Releases Audit of Trimble County Fiscal Court

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statement of the Trimble County Fiscal Court for the fiscal year ended June 30, 2021. 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 Trimble 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 115 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 comments:

The Trimble County Fiscal Court did not follow bidding procedures per state law: This is a repeat finding and was included in the prior year audit report as Finding 2020-001. The fiscal court received and accepted multiple bids for road materials, rather than accepting the lowest or best bid by a qualified bidder.

Per inquiry of the judge/executive, he was not aware this action was prohibited and this action does not align with the county's administrative code procedures regarding bids.

By not accepting the lowest and best bidder for road materials, the fiscal court was not in compliance with KRS 178.140(1) and (2). In addition, the fiscal court might not have received the best value for services or products provided.

KRS 178.140(1) and (2) state, “[a]ll bids for the construction or maintenance of county roads and bridges shall be received at the time and place specified in the advertisement, and shall be opened publicly at the time of awarding, and the amount of items comprising each bid shall be publicly announced. The contract shall be awarded to the lowest and best bidder[.]” The county’s administrative code states, “The county judge/executive shall open all bids publicly at the time and place stated in the advertisement, and the fiscal court shall select the lowest or best bid by a qualified bidder.”

We recommend the fiscal court follow bidding procedures as required by KRS 178.140(1) and (2) and the county administrative code.

County Judge/Executive’s Response: This was an oversight from the FY19-20 audit that was performed at the same time as the FY20-21 audit. Consequently, we did not have time to make the corrective changes from the previous year’s audit. Traditionally, we would accept all bids because we use a couple of different quarries. In the future, we will accept a bid for projects near quarries. In all likelihood, we will accept bids from different places and with each one we will state where that location will be providing materials for us.

The Trimble County Fiscal Court failed to report accurate information on the fourth quarter financial report: The Trimble County Fiscal Court’s fourth quarter financial report required material adjustments to the general fund, road fund, jail fund and Local Government Economic Assistance (LGEA) fund budgeted amounts. When comparing the county’s approved budget to the county’s fourth quarter report, variances were found. Once the correct budget amounts were included on the fourth quarter report, one line item had appropriations that exceeded the approved budget. When comparing the county’s approved budget amendments to the county’s fourth quarter report, it was noted that one budget amendment was posted to two funds. There also was a \$15,000 transfer posted as both a transfer to and transfer from the general fund.

Internal controls were not in place to ensure the budget and budget amendments were accurately reported on the fourth quarter report. Internal controls were not in place to ensure transfers were reported properly.

The effect of these errors on the budget as reported on the fourth quarter report is as follows:

- General fund budgeted receipts reduced \$2,000
- General fund budgeted disbursements reduced \$2,000
- Road fund budgeted disbursements reduced \$218,428
- Jail fund budgeted disbursements reduced \$500
- LGEA fund budgeted disbursements reduced \$25,500
- LGEA fund line-item disbursement over budget by \$35
- General fund receipts budget amendments reduced \$822,696

- General fund disbursements budget amendments reduced \$822,696
- General fund transfers to and transfers from both reduced by \$15,000

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. Those standards require an accurate financial statement. Furthermore, good internal controls over the processing and review of financial reporting could detect these errors before the fourth quarter report was finalized and submitted to DLG.

To comply with regulatory reporting requirements, we recommend the fiscal court implement adequate internal controls, oversight, and review procedures to ensure all activity is accurately recorded on the fourth quarter financial report.

County Judge/Executive's Response: We will implement adequate internal controls, oversight, and review procedures to ensure all activity is accurately recorded on the fourth quarter financial report.

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

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