



Auditor of Public Accounts
Mike Harmon

FOR IMMEDIATE RELEASE

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Harmon Releases Audit of Carroll County Fiscal Court

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statement of the Carroll County Fiscal Court for the fiscal year ended June 30, 2019. 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 Carroll 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 comment:

The fiscal court did not prepare a Schedule of Expenditures of Federal Awards (SEFA): The county did not prepare a Schedule of Expenditures of Federal Awards (SEFA), despite spending \$427,887 in federal funds during Fiscal Year 2019. The treasurer was unaware of SEFA preparation requirements. By not preparing a SEFA, the county may not be able to determine if a single audit is required. This may also increase the risk of the suspension of federal programs.

Management is responsible for identifying government award programs and understanding and complying with the compliance requirements, and for preparation of the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of Uniform Guidance. During fiscal year ended June 30, 2019, a single audit was required if federal expenditures exceeded

\$750,000. Uniform Guidance per §200.510(b), requires the auditee to prepare a schedule of expenditures of federal awards covered by the auditee's financial statements. At a minimum, the schedule must:

- (1) List individual federal programs by federal agency. For a cluster of programs, provide the cluster name, list individual federal programs within the cluster of programs, and provide the applicable federal agency name. For R&D, total federal awards expended must be shown either by individual federal award or by federal agency and major subdivision within the federal agency. For example, the National Institutes of Health is a major subdivision in the U.S. Department of Health and Human Services.
- (2) For federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total federal awards expended for each individual federal program and the assistance listings number or other identifying number when the assistance listings information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each federal program.
- (5) For loan or loan guarantee programs described in §200.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in §200.414.

Controls were not in place to ensure that the SEFA was completed as required. In addition, the Kentucky Department for Local Government (DLG) requires the schedule of expenditures of federal awards to be submitted at the end of the fiscal year when submitting the fourth quarter financial report.

We recommend the county prepare a schedule of expenditures of federal awards to be in compliance with this requirement. The SEFA should also be submitted to DLG with the fourth quarter financial report as required.

County Judge/Executive's Response: The official did not provide a response.

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

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