



Auditor of Public Accounts
Mike Harmon

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Harmon Releases Audit of Carter County Fiscal Court

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statement of the Carter County Fiscal Court for the fiscal year ended June 30, 2020. 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 Carter 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 fiscal court did not accurately report debt on the quarterly financial statement: This is a repeat finding and was included in the prior year audit report as Finding 2019-001. The liabilities section of the fourth quarter financial statement (which also serves as the county’s year-end financial statement) did not reconcile to the county’s debt schedules, materially misstating debt obligations. This occurred due to the lack of oversight of the quarterly financial statement preparation process. As a result, liabilities information is not accurately presented to management, regulatory agencies, and other users of the information. The principal balance of debt as of June 30, 2020, was understated by \$2,120,994 and the interest balance of debt as of June 30, 2020 was understated by \$366,164.

The Department for Local Government (DLG), under the authority of KRS 68.210, gives the state local finance officer the authority to prescribe a uniform system of accounts. As outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual*, the uniform system of accounts requires the budget section of the fourth quarter financial report to be utilized for reporting all current long-term debt, including public corporation bonds, general obligation bonds, government leasing act issues and bond anticipation notes. The liabilities information reported needs to be accurate.

We recommend the fiscal court ensure all debt payments are accounted for, and reported accurately on the liabilities section of the quarterly financial statement.

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

The fiscal court did not follow proper procedures for advertising bids per state law: The fiscal court did not follow proper procedures for advertising bids as required by state law. Two equipment purchases costing more than \$30,000 each and food services that were \$30,000 or more for the same type service to the same company were not advertised in the newspaper as required per KRS 424.260. The fiscal court did not have controls in place to ensure that staff knew the requirements or did not monitor/review to make sure requirements were followed. The fiscal court is not in compliance with KRS 424.260. Competitive bidding ensures the fiscal court procures materials and services at the best price available.

KRS 424.260 states, “[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for materials, supplies except perishable meat, fish, and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than thirty thousand dollars (\$30,000) without first making newspaper advertisement for bids.”

We recommend the fiscal court comply with KRS 424.260 by advertising bids in the newspaper when expenditures for like type goods or services exceeds \$30,000 in a fiscal year.

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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