



Auditor of Public Accounts
Mike Harmon

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Harmon Releases Audit of Lincoln County Fiscal Court

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statement of the Lincoln County Fiscal Court for the fiscal year ended June 30, 2018. 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 Lincoln 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 Lincoln County Fiscal Court did not follow proper bidding procedures: The Lincoln County Fiscal Court obtained vendor bids for asphalt materials which exceeded the \$20,000 bid threshold. However, they accepted all bids instead of awarding a bid to the lowest or best bidder. Further, the fiscal court did not bid the detention center’s food service provider. During the fiscal year ending June 30, 2018, the fiscal court expended \$197,334 for the detention center’s food service.

The fiscal court has the practice of accepting all bids in order to select a vendor based on their proximity to the work site. Controls were not in place to ensure all expenditures over \$20,000 were bid. Competitive bidding ensures the fiscal court procures materials and services at the best

price available. The fiscal court may have overpaid for services, either because a lower rate could have been obtained or amounts billed may have been overstated.

KRS 178.140 states, “(1) All 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. (2) The contract shall be awarded to the lowest and best bidder....”

We recommend the fiscal court bid all expenditures above \$20,000 and award the bid to the lowest or best bidder when required.

County Judge/Executive’s Response: Lincoln County Fiscal Court will amend bidding procedures as recommended.

The Lincoln County Fiscal Court did not maintain proper records for the public properties corporation fund: The fiscal court did not maintain ledgers for receipts and disbursements, did not prepare bank reconciliations, and did not prepare financial statements for fiscal year ended June 30, 2018 for the public properties corporation fund. The bank statements were maintained on file; however, payments were not traced to debt schedules. Due to the county not preparing a financial statement, adjustments of \$123,988 to intergovernmental receipts, \$28 to interest, and \$123,988 to debt service expenditures were required.

Policies and procedures were not in place to ensure accurate reporting of the county’s public properties corporation fund. Failure to track debt payments and provide adequate oversight of these accounts held in the county’s name could lead to undetected errors. The county has no way to ensure debt payments were made per schedules or that all transactions within the bank statements were allowable.

Good internal controls dictate the fiscal court review and account for all receipts and disbursements related to all funds, including maintaining ledgers, reviewing bank reconciliations, and preparing related financial statements.

We recommend the fiscal court prepare and maintain ledgers for receipts and disbursements, complete bank reconciliations monthly on all public properties corporation bank accounts, and compile a year-end financial statement for the fund.

County Judge/Executive’s Response: Lincoln County Fiscal Court has maintained records for the Public Properties Corporation Fund in the exact same way since the late 90’s when the PPC was established. There have been over 20 audits performed since that time, and this is the first mention of any changes that need to be made. Fiscal Court will make these changes immediately.

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

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