



Auditor of Public Accounts
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Harmon Releases Audit of Washington County Fiscal Court

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statement of the Washington 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 Washington 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 Washington County Fiscal Court does not reconcile the payroll revolving accounts: The Washington County Fiscal Court does not reconcile the payroll withholding revolving account, or payroll revolving accounts for each fund, to a zero balance on a monthly basis. The reconciled balance remaining in the accounts at June 30, 2021, are as follows:

- Payroll Withholding Revolving Account - \$14,115
- General Fund Payroll Revolving Account - \$74,888
- Road Fund Payroll Revolving Account - \$29,813
- Jail Fund Payroll Revolving Account - \$9,911

A payroll revolving account was set up for each fund (general, road, and jail) in order to transfer the total for net payroll and taxes. A large amount is transferred from the respective fund to the payroll revolving account several times a month to cover payroll. It was also noted that the payroll withholding revolving account reconciled balance was not added to the general fund bank balance on the fourth quarter report.

Due to lack of monitoring, the payroll revolving accounts are not reconciled to zero on a monthly basis and the reconciled balance for the payroll withholding revolving account was not recorded in the general fund bank balance on the quarterly report.

The payroll revolving accounts are not reconciled to zero on a monthly basis due to the amount being transferred from the respective fund being an estimated amount for payroll expenses, rather than an exact amount based on reports generated from the payroll processing company after payroll is prepared. This causes a significant amount remaining in the revolving accounts on a monthly basis, which should be reported on the quarterly report in the bank balance for the respective fund.

Good accounting practices and good internal control policies indicate that the payroll revolving accounts be reconciled to a zero balance on a monthly basis to ensure that the amount being transferred to the payroll revolving account is the amount being deducted to avoid significant balances remaining in the revolving accounts. We recommend the amount being transferred to the payroll revolving accounts agree to the amount being disbursed based on payroll reports, and the accounts should reconcile to a zero balance each month.

County Judge/Executive's Response: Washington County has payroll accounts for general, road, and jail funds. These were all set up so as not to have to move monies constantly from their regular accounts to cover payroll.

Washington County's payroll is pulled from the General Fund Payroll account by [vendor name redacted] for direct deposits to employee accounts and to pay all taxes.

At the end of each month the General Fund Payroll account is reimbursed from the Road Fund Payroll and Jail Fund Payroll accounts for their respective categories.

The Withholding/Revolving account is where all deductions from payroll (excluding taxes) are placed. It is also the account where retirement, deferred compensation, credit union, and other optional insurances are paid. Monies are pulled for health claims and reimbursed approximately once each week.

Will work on having a lower balance in each account.

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

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