



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

May 31, 2018

Hon. David L. Nicholson, President
Kentucky Association of Counties
400 Englewood Drive
Frankfort, Kentucky 40601

Dear Mr. Nicholson:

As someone who understands the significance of good budgeting at all levels of government, I thought it important to communicate an upcoming change related to county audit costs for consideration as counties are working on their budgets for the upcoming fiscal year. I would appreciate KACo's assistance in sharing this information with your membership.

Currently, KRS 43.070 provides that fiscal courts are charged 50% of the cost of the annual audit of their budgeted funds. Recognizing that county budgets are stretched thin, my office did not suggest nor advocate for a change to the statute; however, the legislature made the decision to "notwithstanding" the statute to require the Auditor of Public Accounts to charge 75% of the cost for these audits. For your reference, the new language on the cost of fiscal court audits is in Section 120 of House Bill 366.

It is difficult to estimate the impact of this change as county audit costs vary depending on a number of factors, but it is safe to assume the cost of fiscal court audits will increase on average. This change will not impact county clerk and sheriff audits, which are already billed at full cost pursuant to the same statute.

On a more positive note, many counties should benefit from my office's proposal to allow performance of agreed-upon procedures (AUPs) instead of full financial statement audits for county clerks and sheriffs with no prior-year audit findings. We are currently preparing to implement the AUP application process that was established by Senate Bill 144, and I look forward to sharing more information soon about this cost-saving option for counties. An AUP is estimated to cost 25-50% less than a traditional, financial statement audit!

Please do not hesitate to contact my office with questions or to discuss this further.

Thanks and God Bless,

Mike Harmon

