

10 Minute Supervisor Trainings



April 2025

Audits

KRS 262.280 and KRS 262.763 require that each conservation district and each watershed conservancy district, respectively, in the Commonwealth be audited at least every four years. In cases that a district's income or expenditures exceeds \$1,000,000, then it is an annual requirement.

Why are audits required?

The audit is performed to make sure that the district is using generally accepted accounting principles, as well as to look for any fraud or theft in the district.

Who pays for the audits?

The Soil and Water Conservation Commission pays for the audits from the direct aid funding set aside in the state budget. Special audits (those audits done annually for the districts with income/expenses over \$1,000,000) are paid by the district.

How is the auditor selected?

DOC selects the auditor through a bidding process, which is standard procedure across the state for handling contracts between a vendor and the Commonwealth of Kentucky. The current contract with Tichenor and Associates is a two-year contract with the option to renew the contract for 2 additional 2-year periods. In this contract, Tichenor and Associates audits one-fourth of the districts each year, plus whichever districts need a special audit.

How does my district know if needs a special audit?

A special audit is required if a district's income or expenditures exceed \$1,000,000. DOC reviews the annual financial report of all districts to determine if a district needs a special audit. The auditor is reviewing the same things during these audits as they would for the regularly scheduled audits. The only difference is the frequency. Districts that require a special audit are responsible for paying for that audit. DOC will communicate with the district to coordinate payment. During this audit contract, the special audit cost is \$3030.

What is the audit process?

Audits are performed every 4 years, so every supervisor should be part of at least one audit during their 4-year term. Audits are performed the fiscal year following the one that is being audited. DOC contacts each district when their audit year is starting and emails out a general list of documents that the auditor will be asking for. As the districts close out their books for the year, they can be gathering those documents. The auditor will contact each district to provide a link to a website for the district to upload all the required documents prior to the auditor's visit to the district.

Once the on-site audit is done and the exit interview is performed, the auditor then writes up a report. THE AUDIT IS NOT FINAL AT THIS POINT! The report is then given to a senior auditor to be reviewed. The senior auditor may find additional items that are needed or have questions. This is why sometimes the district is asked for more information. By federal standards, a senior auditor or partner is the only one that can sign the final audit report. Once the senior auditor has reviewed and approved the audit, it is signed and emailed to DOC, which then emails the final audit report to the district.

What happens when the audit is final?

Once a district receives the final audit report, the board should review any findings and discuss how the district will correct those deficiencies. The board creates a plan for addressing the auditor's findings, records this plan on district letterhead, officially approves the plan in a district meeting, and submits the plan to DOC.

The district also must upload the final audit report onto the Department of Local Government's online portal. Note: the audit report, not the corrective measures plan, should be uploaded.

What is the DOC's responsibility in this process?

DOC serves as a liaison between the auditor and district. This includes administering the contract with Tichenor and Associates, tracking all deliverables, tracking the audit cycle for all districts, receiving reimbursement payments for special audits, facilitating answers from Tichenor and Associates when districts have questions, etc.

Who should we send our questions to?

Questions can be sent to Melinda Murphy (Melinda.Murphy@ky.gov or 502-564-2651).

Final Notes:

Your administrative employee is a large part of the audit process, as they do most of the handling of the district's funds and most of the document collection when preparing for the audit. However, this process is NOT solely their responsibility. The district board should be reviewing financial reports each board meeting, making sure all funds are being handled correctly. Additionally, board members should be assisting during the process. For example, a board member could come into the office to greet people and answer the phone while the administrative employee is gathering and scanning documents.