



Auditor of Public Accounts  
Mike Harmon

**FOR IMMEDIATE RELEASE**

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### **Harmon Releases Audit of Greenup County Fiscal Court**

**FRANKFORT, Ky.** – State Auditor Mike Harmon has released the audit of the financial statement of the Greenup 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 Greenup 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:

**Local Government Economic Assistance fund budgeted receipts do not equal budgeted disbursements on the original budget:** The Local Government Economic Assistance (LGEA) fund receipts on the original budget submitted to and approved by the Department for Local Government (DLG) does not calculate correctly. It appears the amount \$55,150 was added twice in the computation on the original budget. According to the treasurer, she is unsure how this happened and was not caught. Unfortunately, the fiscal court did not have controls in place to catch this mistake before the original budget was submitted to DLG. As a result, the LGEA fund budget does not balance. Further, on the fiscal court’s budget to actual report in the audit report, there is a budget balance of \$55,150 at the bottom of the original and final budget columns, which is the result of this calculation error.

Good internal controls dictate that budgeted receipts and budgeted disbursements for each fund equal in order for the budget to balance.

We recommend the treasurer verify the mathematical accuracy of the original budget to ensure that each fund's budget balances.

*County Judge/Executive's Response: Software error caused miscalculation. Problem already corrected.*

**The jail does not have adequate segregation of duties over jail commissary transactions:** This is a repeat finding and was included in the prior year audit report as Finding 2019-004. The jail does not have adequate segregation of duties over jail commissary transactions.

A deficiency occurs when someone has custody over assets and the responsibility of recording financial transactions. The bookkeeper for the jail commissary prepares deposits, prepares daily checkout sheets, and post to the receipts ledger. In addition, the bookkeeper prepares monthly collection and disbursement reports, posts to the disbursements ledger, and prepares monthly bank reconciliations. The jailer has been informed of this issue and has failed segregate duties or to implement and document compensating controls sufficient to offset the weakness noted.

Inadequate segregation of duties allows one person to have a significant role in processing and recording receipts and disbursements, which increases the risk that misappropriation of assets and inaccurate financial reporting will occur and be undetected.

A strong internal control system requires the duties of receiving, recording, disbursing, and reporting be segregated in order to decrease the risk of misappropriation of assets, errors, and inaccurate financial reporting to external agencies. Although the jailer has implemented some compensating controls, such as dual signatures on checks and recounting the daily deposits, they do not eliminate the risk associated with inadequate segregation of duties.

We recommend the jailer either segregate duties adequately or implement and document compensating controls. If these duties cannot be segregated, we recommend the jailer implement additional compensating controls to help offset this weakness:

- Recount the daily deposit and verify that it agrees to the daily checkout sheet.
- Agree the daily checkout sheet to the receipts ledger and deposit slip.
- Review the monthly reports and agree them to the receipts ledger and disbursements ledger.
- Review the monthly bank reconciliation and trace transactions to source documents.

The jailer should initial these documents as proof of his review.

*Jailer's Response: The chief deputy or captain will spot check deposits and money counts for transactions in commissary accounts.*

**The jail commissary purchased electronic cigarettes without obtaining bids:** This is a repeat finding and was included in the prior year audit report as Finding 2019-002. The jail commissary purchased electronic cigarettes (e-cigarettes) totaling \$50,112 from a single vendor without obtaining bids. These purchases consisted of 11 invoices less than \$30,000 each.

According to the jail bookkeeper, the jailer did not bid since he prefers the design of the e-cigarette provided by a specific vendor. This is due to them not being made from a hard material, therefore they cannot be made into a dangerous weapon. Further, the jailer did not have controls in place to ensure that they were in compliance with bid requirements.

By not obtaining bids on the e-cigarettes, it cannot be determined if the jailer has procured these items at the best available price.

KRS 45A.365(1) states, “[a]ll contracts or purchases shall be awarded by competitive sealed bidding, which may include the use of a reverse auction, except as otherwise provided by KRS 45A.370 to 45A.385 and for the purchase of wholesale electric power by municipal utilities as provided in KRS 96.901(1).”

KRS 45A.385 states, “[t]he local public agency may use small purchase procedures for any contract for which a determination is made that the aggregate amount of the contract does not exceed thirty thousand dollars \$30,000 if small purchase procedures are in writing and available to the public.”

Good internal controls dictate that the jailer follow guidelines set forth for bid requirements to ensure that the best price is obtained.

We recommend that the jailer obtain bids for electronic cigarettes, and any other purchases that meet the requirements of KRS 45A.365(1) and KRS 45A.385.

*Jailer’s Response: We have no contract for vapor pens. We have not changed vendors because our inmates prefer the [name redacted] brand. We constantly question other companies and compare price versus quality and pens that pass our safety and construction requirements.*

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

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