



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

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statements of the Hardin County Fiscal Court for the fiscal year ended June 30, 2019. State law requires annual audits of county fiscal courts.

Auditing standards require the auditor’s letter to communicate whether the financial statements presents fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hardin County Fiscal Court, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. The fiscal court’s financial statement is fairly presented in conformity with accounting principles generally accepted in the United States of America.

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 Hardin County Fiscal Court was not in compliance with bid laws: The Hardin County Fiscal Court did not bid the contract for inmate meals at the detention center. On June 26, 2018, the Hardin County Fiscal Court approved Resolution No. 2018-087 which approved an agreement with Kellwell Food management as the food service provider for the Hardin County Detention Center. The contract scope of services states “Kellwell will be the exclusive provider of food service (excluding vending machine operation) for the Facility and will provide consulting services as to administrative, dietetic, purchasing and equipment; meal service; and personnel to prepare the meals.”

Based on advisement from the county attorney, fiscal court staff thought that this contract did not need to be bid since the contract involved food. Since bidding procedures were not followed, it is possible that the county did not get the lowest rate for a jail food service provider. This also puts the county at higher risk for potential fraudulent purchases.

Strong internal controls require management to monitor disbursements and purchase orders to ensure compliance with bid laws. KRS 424.260(1) states, “[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract...for services other than professional, involving an expenditure of more than twenty thousand dollars (\$20,000) without first making newspaper advertisement for bids.”

We recommend the fiscal court monitor all disbursements to ensure that bidding procedures are followed for all qualifying disbursements. The fiscal court should also document these procedures in the fiscal court minutes.

County Judge Executive’s Response: We disagree with the auditor’s finding. Hardin County Fiscal Court fully complied with Kentucky Revised Statutes (state “Bid Laws). KRS 424.260(1) clearly exempts perishable meat, fish, and vegetables from the requirements for advertised bids. Jail meals, as most any meal, are clearly made up of meat, fish, and vegetables. The Hardin County Jailer sought proposals to supply jail meals from all known vendors providing food service to Kentucky jails. Two vendors provided proposals and fiscal court selected the best and most cost effective proposal. The audit contends the exemption provided in KRS 424.260(1) for perishables does not apply to providing jail meals. The county asserts these meals are comprised primarily of meat, fish, and vegetable and, therefore, the exemption allowed in the Kentucky Revised Statutes does apply. If this exemption is not permissible, why didn’t previous annual audits for more than a decade call the practice into question? Hardin Fiscal Court did fully comply with Kentucky Revised Statutes in obtaining meals for the county jail at the lowest cost. Hardin County Fiscal Court does monitor all disbursements of county funds to ensure all procurement procedures are followed and documented in the approved minutes of Hardin County Fiscal Court.

Auditor’s Reply: KRS 424.260(1) exempts professional services as well as perishable meat, fish, and vegetables from the requirements for advertising for bids. Food service is not a professional service, and the contract for food service includes meal preparation service, and other items mentioned in the contract that do not fall within the exemption for perishable food items. Therefore, the contract with Kellwell should have been advertised for bid.

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

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