



Auditor of Public Accounts  
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**FOR IMMEDIATE RELEASE**

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**Harmon Releases Audit of Marion County Fiscal Court**

**FRANKFORT, Ky.** – State Auditor Mike Harmon has released the audit of the financial statement of the Marion County Fiscal Court for the fiscal year ended June 30, 2015. 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 Marion 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 non-compliance with laws, regulations, contracts, and grants. The auditor must also comment on material weaknesses involving the internal control over financial operations and reporting.

The audit contains the following comments:

**The Marion County Jail Commissary, Inmate Trust, And Bond Funds lack adequate segregation of duties.** The Marion County Detention Center lacks segregation of duties over all jail commissary funds and their accounting functions. The bookkeeper receives the mail, prepares and deposits the receipts, and writes checks. If one employee is solely responsible for the receipt, disbursement, the reconciling process, and reporting, the risk of misappropriation of assets and inaccurate financial reporting increases.

Good internal controls dictate adequate segregation of duties to prevent the same person from having complete control in the receiving, recording, disbursement, and reporting of funds. A strong internal control structure includes adequate segregation of duties or strong compensating

controls to offset the risk caused by the lack of segregation of duties. Without proper segregation or strong compensating controls, the jailer cannot ensure all receipts and disbursements are properly recorded and accounted for.

We recommend the jailer separate the duties of preparing and depositing receipts, recording transactions, preparing checks, and reconciling bank accounts. If these duties cannot be segregated due to limited number of staff or budget, strong oversight should be provided over the employee responsible for these duties. Any compensating controls performed should be documented.

*County Judge/Executive's response: The county judge/executive did not respond.*

*County Jailer's response: Effective 8-1-2016 the Marion County Detention Center will implement double signatures on all deposits and reconciliations done by the commissary department to ensure a better control over more frequently made deposits, and to ensure all reconciliations are done in a timely manner.*

**The fiscal court did not comply with bid requirements and bid files were not properly maintained.** The fiscal court purchased culverts from one vendor exceeding \$20,000 in total that were not properly bid. Three checks were written on May 22, 2015, to one vendor each in the amount of \$19,900, just below bid requirement, for a total of \$59,700. The county administrative code documents the county's procedures for purchases that exceed \$20,000. Those procedures require advertisement for bids, public opening of bids, and documentation and approval of bid selection. In addition, the county did not maintain bid files for one vendor (two separate bids), and multiple bid files were incomplete and did not include the proper documentation.

Insufficient records and management oversight resulted in noncompliance with state regulations over the bid process. By not following required bid procedures, purchases could be made that would result in the county not receiving the best price for the equipment or service.

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, lease, or other agreement for materials, supplies except for perishable meat, fish, and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than twenty thousand dollars (\$20,000) without first making newspaper advertisement for bids."

The county's administrative code, section 8.2, dictates the county should maintain all bid files that include the following documentation: specifications and quantities desired, newspaper advertisement, proposal/estimate, sealed envelope, and any other documentation in relation to that particular bid.

We recommend the fiscal court comply with KRS 424.260(1) by advertising for bids for purchases exceeding \$20,000 and follow the county administrative code for documentation of selection of a winning bidder for each project or contract. The fiscal court should maintain all bid files that include the proper documentation.

*County Judge/Executive's response: Marion County Fiscal Court will advertise for and accept bids on all purchases that exceed \$20,000. Also, Marion County Fiscal Court has already begun keeping bid folders with all documentation included and will continue going forward.*

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

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