



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, 2019. 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 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:

**The Marion County Fiscal Court did not follow proper procurement procedures for purchases over \$20,000:** The Marion County Fiscal Court did not advertise for bids on all expenditures for contracted services and materials exceeding \$20,000. The fiscal court paid \$376,172 to a food service vendor for inmates and \$27,279 for CL2 asphalt base for the road department. These items were not bid by the fiscal court.

The fiscal court was not aware they needed to bid the food service contract. In addition, they were not aware the road materials exceeded the bid amount threshold. As a result, the fiscal court was not in compliance with procurement laws or their administrative code. In addition, the county may not have received the best value for services or products provided.

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 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.”

We recommend the fiscal court monitor disbursements to ensure procurement procedures are followed properly for all purchases and contracts in the future.

*County Judge/Executive’s Response: Marion County Fiscal Court bids for its annual use of asphalt surface material before the start of each fiscal year. We don’t bid for asphalt base because we typically use very little base. However, for this fiscal year, we had a project that used more asphalt base than we had planned and the project went above the bid amount threshold. Going forward, we have added asphalt base to our bid forms.*

*We were under the impression that the food service contract was a professional service so after the original bid, we just renewed the contract each year. This contract expires in November and will be bid at that time.*

**The Marion County Jail Commissary lacks adequate segregation of duties over receipts, disbursements, and reconciliations:** The Marion County Jail Commissary lacks adequate segregation over all jail commissary accounting functions. The jail has two bookkeepers with one solely taking care of the inmate account and bond account. She prepares deposits, posts to the receipts and disbursements ledger, issues receipts, and prepares bank reconciliations. The other bookkeeper is the jail business manager and is in charge of the jail canteen account. The jail business manager posts to the receipts and disbursements ledger, prepares bank reconciliations, writes checks, signs checks, and prepares deposits. Checks only have one signature.

According to the jailer’s bookkeeper, this condition is a result of a limited budget which restricts the number of employees the jailer can hire or delegate duties between. The lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to the fiscal court.

A proper segregation of duties over the accounting functions or implementing compensating controls, when necessary because of a limited number of staff, is essential for providing protection from undetected errors occurring. Additionally, a proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the jailer segregate the duties of preparing deposits, recording receipts, preparing the bank reconciliations, and signing checks. If segregation of duties is not feasible due to lack of staff, we recommend the jailer implementing and documenting compensating controls to offset this control deficiency.

*County Judge/Executive’s Response: No response.*

*County Jailer's Response: The commissary clerk is in charge of inmate accounts; all of the inmate's money is deposited into a kiosk by visitors and handled by an employee of [vendor]; [Vendor] makes the deposits into inmate trust account at [bank]. The other deposits for this account are checks written by other correctional facilities for inmates that are transferred to our jail and state pay for inmates. The commissary clerk also makes the deposits in the canteen account. The deposits are checks made out to MCDC, never cash. All deposits now require a second signature. The Business Manager handles the rest of the canteen account by paying the approved invoices and reconciling the account. The jailer is also on this account so as of April 16, 2020, the jailer will also be signing the checks.*

**The Marion County Jail Commissary did not deposit receipts daily:** Receipts of the jail commissary fund were not deposited daily. The jail commissary fund had 165 deposits for fiscal year 2019. 148 of the 165 deposits were not made daily. In addition, 42 deposits of the 165 should have been deposited in the prior fiscal year. Deposits in the amount of \$30,600 for receipts collected from November 2017 through June 2018 were deposited July 3, 2018 through August 21, 2018.

According to the jailer's bookkeeper, she was off a lot during this time and receipts did not get deposited timely. When deposits are not made timely, the risk that the bank account can be overdrawn is increased and there is an increased risk of misappropriation of funds. The beginning balance of the inmate account was understated by \$30,600.

The Department for Local Government (DLG) was given the authority by KRS 68.210 to prescribe a uniform system of accounts. The minimum requirements for handling public funds in *County Budget Preparation and State Local Finance Officer Policy Manual* states, "daily deposits intact into a federally insured banking institution." Additionally, the practice of making daily deposits reduces the risk of misappropriation of cash, which is the asset most susceptible to possible theft.

We recommend the jailer make daily deposits for the jail commissary fund to ensure compliance with DLG requirements.

*County Judge/Executive's Response: No response.*

*County Jailer's Response: Deposits were made in an untimely manner and addressed last year (2019) by the previous auditor. Procedural improvements were implemented at the time but the current audit year was already half way through (at least six months into the fiscal year.) Deposits are not usually made daily because the jail does not handle cash deposits; most days there is no money to deposit. All deposits made by the canteen clerk are now shown on a monthly report that is given to the business manager, the jailer, and presented to the fiscal court monthly. Deposits now require a second signature.*

**The Marion County Jail's inmate fund and bond fund bank reconciliations were not prepared timely or accurately:** This is a repeat finding and was included in the prior year audit report as Findings 2018-001 and 2018-002. Bank reconciliations were not performed for the jail inmate account and bond fund account for all 12 monthly bank statements (July 2018 through June

2019) until January 1, 2020. Bank reconciliations did not include outstanding checks and deposits in transit, they only included what cleared through the bank on bank statements. The bond fund account is a clearing account and requires reimbursement for any additional charge or service fee.

The inmate account is used for all inmate moneys received and disbursed as refunds or transfers to the commissary account for commissary purchases by the inmates and jail fees collected from the inmates for payment to the county treasurer. No other receipts should be deposited into this account and no other disbursements should be made from it. As of June 30, 2019, the inmate account balance had a reconciled balance of \$23,849. Based on inmate report, inmate balances totaled \$6,627 as of June 30, 2019, leaving \$17,222 of monies in the inmate account balance unaccounted for.

The official did not have controls in place to ensure that staff was performing bank reconciliations timely and accurately. The bond account had \$10 service fees coming out monthly and had a withdrawal for the cost of checks. Because bank reconciliations were not timely performed, the bond fund account was overdrawn on a few occasions.

Good internal controls dictate that bank accounts be reconciled on a timely basis in order to detect and correct errors, including bank errors.

We recommend the jail personnel perform bank reconciliations timely and accurately soon after the bank statement is received. Bank reconciliations should include all outstanding checks and deposits in transit to show an accurate account balance. We also recommend the jailer follow up on the unexplained balance in inmate account.

*County Judge/Executive's Response: No response.*

*County Jailer's Response: Bank reconciliations for the inmate trust fund were not prepared in a timely manner; this was brought to the jailer's attention in last year's audit. Adjustments were made at the time but, again the fiscal year was already half over so it reflected on this year's audit. The canteen clerk reconciled each month but did not print each month; she printed for the entire year at the end of fiscal year. This has been corrected and added to a monthly report. The inmate trust fund is used only for inmate's money. The inmates account is charged for commissary items, unpaid fees, medical, food orders (restaurants,) destruction of property, etc. Reports are printed and checks are distributed appropriately. The checks are written only to pay for purchases made by the inmate or anything that the inmate owes for. All charges are shown on the inmate's accounts and may be viewed by the inmate at any time.*

*When an inmate is released from the detention center, a debit card with their canteen balance is issued to them. If they are transported to another jail or prison, a check with their remaining balance either goes with them or is mailed to them. Any money that has been left in the inmate trust fund account is still on that individual account in jail tracker. If they return to the jail, the account is made active and they are eligible to spend the money that is still on their account. The attached report (Appendix B) shows that the money in the account is still on the individual accounts. Protocols for the detention center on the abandoned monies have been changed and are being implemented. A copy of these protocols is also attached to this report. (Appendix B)*

*[Bank] has been contacted about the service charge on the bond account. [Vendor] deposits all money into the bond account from the kiosk. If overdrawn, [vendor] did not deposit into the account in a timely manner. This has been discussed previously with [vendor] and corrected.*

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

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