



Auditor of Public Accounts
Mike Harmon

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Harmon Releases Audit of Bell County Fiscal Court

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statement of the Bell 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 Bell 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 Bell County Fiscal Court did not follow proper procurement procedures for purchases over \$20,000: The Bell County Fiscal Court did not follow proper procurement procedures for bids on all expenditures for materials exceeding \$20,000. As a result, the following occurred:

- The fiscal court paid \$26,500 for blacktopping roads without advertising for bids.
- One blacktopping invoice was \$6,635 higher than the actual bid price and county did not obtain documentation to show Kentucky asphalt price index had increased.

- The fiscal court paid \$82,440 to fix the courthouse air conditioner without advertising for bids. They advertised for an energy savings proposal, however the county has not adopted the model procurement code.
- The fiscal court paid \$51,962 to replace the windows at the courthouse by negotiating the price from the energy savings proposal and without advertising for bid.

The fiscal court was not aware the road materials exceeded the bid amount threshold. Furthermore, the fiscal court was not aware they could not use Model Procurement Code statues dealing with Energy Saving Plans without first adopting the Model Procurement Code. 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.

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County Judge/Executive’s Response: The official did not provide a response.

The Bell County jail commissary does not have segregation of duties over receipts, disbursements, and the bank reconciliation process: This is a repeat finding and was included in the prior year audit report as Finding 2018-001. The Bell County jail commissary bookkeeper’s duties include collecting cash for inmate accounts, posting receipts, preparing and posting disbursements, and completing the bank reconciliation. When one employee is responsible for the receipt, disbursement, and reconciliation process, the risk of misappropriation of assets, errors, and inaccurate financial reporting increases. According to the jailer, the limited number of Bell County jail staff in the office prevents a proper segregation of duties. This could result in undetected misappropriation of assets and incorrect reporting.

Effective internal controls require proper segregation of duties over accounting functions, such as making deposits, preparing disbursements, and reconciling the bank account. Segregation of duties, or the implementation of compensating controls, is essential for providing protection to employees in the normal course of performing their daily responsibilities.

We recommend the Bell County Jailer segregate duties over receipts, disbursements, and the bank reconciliation process. If segregation of duties is not possible, then the Bell County Jailer should implement compensating controls by monitoring the financial activities of the jail commissary and document the review.

County Judge/Executive's Response: The official did not provide a response.

Jailer's Response: We were in the process of training more people to be active in the commissary process but as a result of the pandemic we lost several employees due to fear of the virus and we do intend to have more people involved again to limit one person being responsible. Also, the jailer will sign off on receipts, deposits, etc.

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

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