



Auditor of Public Accounts
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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, 2022. 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 116 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 findings:

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 2021-001. 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 posts 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 to 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 segregate duties adequately. If these duties cannot be segregated, the jailer should implement and document the following additional compensating controls to help offset this weakness:

- Recount the daily deposit and verify that it agrees to the daily checkout sheet.
- Agree 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 and date these documents as proof of his review.

County Judge/Executive's Response: New jailer has already made changes to correct this issue.

Jailer's Response: Fixed.

The jail commissary purchased electronic cigarettes without properly obtaining bids: This is a similar finding that was included in the prior year audit report as Finding 2021-002. The jail commissary purchased electronic cigarettes (e-cigarettes) totaling \$77,813 from a single vendor without properly obtaining bids. These purchases consisted of eight invoices less than \$30,000 each.

According to the jail bookkeeper, the jailer did bid; however, he did not follow the correct procedures by going through the fiscal court. Furthermore, the jailer did not have controls in place to ensure compliance with bid requirements.

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

Greenup County's Administrative Code section 9.2(A) states, "[t]he agency, department or person requiring supplies, services or construction shall submit to the County Judge a request containing specifications and quantities desired."

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

We recommend the jailer properly obtain bids for electronic cigarettes, and any other purchases that meet the requirements of the Greenup County Administrative Code.

County Judge/Executive's Response: New jailer has already followed jail bidding procedure and corrected the issue.

Jailer's Response: Fixed.

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

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