



Auditor of Public Accounts
Mike Harmon

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, 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 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 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 comments:

The Marion County Jail Commissary does not have adequate segregation of duties over receipts, disbursements, and reconciliations: The Marion County Jail Commissary does not have 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, post 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 implement and document compensating controls to offset this control deficiency.

County Judge/Executive's Response: See Jailer's response.

County Jailer's Response: Inmate Account: This account will be reviewed monthly by the business manager. The second canteen clerk is in the process of also learning to reconcile this Account.

Bond Account: A second signature is being added to this account; this person will also review the reports attached to this check.

Jail Canteen Account: A copy of this bank statement, disbursement ledger will be sent to the county treasurer monthly. A second signature has been added to these checks.

The Marion County jail 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 2021-001 and 2021-002. Bank reconciliations were not performed for the jail inmate and bond fund accounts for 11 months (July 2021 through May 2022) out of the fiscal year, until between May 2022 and July 2022. Bank reconciliations did not include all outstanding checks and deposits in transit. In addition, the bond fund account is a clearing account and requires reimbursement for any additional charge or service fee and should reconcile to \$0. The balance as of June 30, 2022, was \$133 after accounting for all liabilities.

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, 2022, the inmate account balance had a reconciled balance of \$253,567. Based on inmate account reports, inmate balances totaled \$131,758 as of June 30, 2022, and liabilities due fiscal court totaled \$275, leaving \$121,534 of monies in the inmate account unaccounted for.

The official did not have controls in place to ensure that staff was performing bank reconciliations timely and accurately. When bank reconciliations are not performed timely, bank accounts could be overdrawn. If there is an error or omission in the records that affected the balance in the

checking account, the entity might issue checks when the bank's records properly indicate there are not sufficient funds in the checking account. 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 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 the inmate account.

County Judge/Executive's Response: See Jailer's response.

County Jailer's Response: The inmate account has been moved to a different program; reconciliations are now being performed in a timely manner. They are signed off by business manager and jailer, then sent to county treasurer monthly.

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

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