



Auditor of Public Accounts  
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**FOR IMMEDIATE RELEASE**

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### **Harmon Releases Audit of Hart County Fiscal Court**

**FRANKFORT, Ky.** – State Auditor Mike Harmon has released the audit of the financial statement of the Hart County Fiscal Court for the fiscal year ended June 30, 2020. 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 Hart 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 Hart County Fiscal Court did not properly budget for and record all debt related activity:** This is a repeat finding and was included in the prior year audit report as Finding 2019-002. The fiscal court did not comply with reporting requirements for debt bearing the fiscal court's name. During the year, one new financing obligation was entered into by the fiscal court on behalf of the Hart County Solid Waste Management district for the purchase of two Mack trucks. The new financing obligation was \$337,520.

The financing proceeds went directly from lessor to the vendor and were not reported on the financial statement. Since these transactions did not run through the fiscal court's bank accounts, they were not included in the fiscal court's budget process or reflected on the fiscal court's

financial report. The fiscal court was not aware the proceeds needed to be reported until the assets were sold.

As a result, the fiscal court failed to properly budget for and record the financing obligation proceeds of \$337,520 in the general fund. This resulted in appropriations in excess of budget in the general fund health and sanitation category by \$311,942.

KRS 68.300 states, in part, “[a]ny appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not made within the budget appropriations, shall be void.” KRS 68.280 gives fiscal courts the ability to amend the budget when necessary which would have prevented appropriations from exceeding the approved budget. Since the fiscal court is obligated for these obligations, all debt should be budgeted for and recorded properly.

We recommend the fiscal court comply with KRS 68.300 and KRS 68.280 by budgeting all fiscal court financing obligations and amending the budget as necessary to reflect unanticipated receipts and disbursements related to financing obligations of this nature.

*County Judge/Executive’s Response: Auditor’s explained that funds sent directly to the vendor from the lending institution still need to be included in all financial statements, not just the budgeting of payments.*

**The Hart County Fiscal Court did not follow proper procurement procedures for purchases over \$30,000 and accepted all road material bids:** The Hart County Fiscal Court did not advertise for bids on all expenditures for contracted services and materials exceeding \$30,000. The fiscal court paid \$281,113 to a food service vendor for inmates and \$69,627 to a vendor for janitorial/cleaning supplies. These items were not bid by the fiscal court. In addition, the Hart County Fiscal Court accepted all road material bids on March 21, 2019, for fiscal year 2020 and on March 12, 2020, for fiscal year 2021. Acceptance of the winning bids or lowest bids were not all documented since more than one bidder was approved for some road material products.

The fiscal court and jail were not aware they needed to bid the food service contract again since the contract was expired and on an annual renewal basis. They were also not aware the janitorial/cleaning supplies needed to be bid. Furthermore, they were not aware road materials could not all be accepted as part of the bidding process.

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, in part, “[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 thirty thousand dollars (\$30,000) without first making newspaper advertisement for bids.”

KRS 178.140(1) states “[a]ll bids for the construction or maintenance of county roads and bridges shall be received at the time and place specified in the advertisement, and shall be opened publicly at the time of awarding, and the amount of items comprising each bid shall be publicly announced.” In addition, KRS 178.140(2) states “[t]he contract shall be awarded to the lowest and best bidder, who shall furnish satisfactory security in an amount equal to the amount of the contract in question, to be approved by the county judge/executive of the county.”

In addition, according to the Hart County Administrative Code Section 8.2(B) “Any expenditure or contract for goods (except perishable meat, fish, and vegetables), or services, other than professional, involving an expenditure of more than Thirty Thousand Dollars (\$30,000) shall be subject to competitive bidding or the state contract price.”

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: Fiscal Court accepted all road material bids due to the location of the providers. We will specify when advertising for bids that we are taking bids for certain materials in different regions. Also we have notified the Jailer that all contracts are to be rebid after contract has expired even if it is on an annual renewal basis. All janitorial supplies will be advertised for bid.*

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

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