



**Auditor of
Public Accounts
Allison Ball**

Marion County Fiscal Court

Audit

FRANKFORT, Ky. – State Auditor Allison Ball has released the audit of the financial statements of the Marion County Fiscal Court for the fiscal year ended June 30, 2024. State law requires annual audits of county fiscal courts.

Auditing standards require the auditor’s letter to communicate whether the financial statements present 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.

Finding: Did not properly report debt or leases.

During the year ending June 30, 2024, the fiscal court entered into a general obligation lease for the multi-purpose building project with lease proceeds totaling \$6,200,000 with a discount of \$40,000. In addition, the fiscal court had earnings of \$252,876 and no disbursements. As of June 30, 2024, the fiscal court’s acquisition account related to the general obligation lease had a balance of \$6,412,876. The fiscal court recorded the outstanding amount of debt on the liabilities section of its fourth quarterly report but failed to post the activity related to the general obligation lease to the fourth quarterly report, receipts ledger, or disbursements ledger. In addition, the fiscal court failed to include the lease of the judicial center to the Administrative Office of the Courts (AOC) on the GASB 87 worksheet with receivable as of June 30, 2024, of \$4,437,450.

Recommendations

We recommend the fiscal court implement controls to ensure all lease transactions are accurately budgeted and posted on the fiscal court’s quarterly report and ledgers in accordance with the *County Budget Preparation and State Local Finance Officer Policy Manual*. In addition, we recommend the fiscal court implement controls to ensure all leases are disclosed on the GASB 87 worksheet.

County Officials Response

County Judge/Executive’s Response: Marion County Fiscal Court will ensure that the lease with AOC for the judicial building will be included on the GASB 87 worksheet going forward.

Finding: Did not have proper controls over disbursements and its purchase order system.

During disbursements testing the following exceptions were noted:

- Eighty-three disbursements totaling \$5,149,040 out of 87 disbursements tested were paid without a purchase order being issued.
- Six disbursements totaling \$676,359 were not paid within 30 days of receiving the invoice.
- One invoice totaling \$1,256 was paid three times from the Jail Fund.

Recommendations

We recommend the Marion County Fiscal Court ensure purchase orders are obtained prior to all purchases with pertinent information to ensure sufficient line-item budget is available prior to purchase. Furthermore, we recommend all disbursements be paid within 30 days of receiving the invoice.

County Officials Response

County Judge/Executive's Response: The Marion County Judge Executive, Marion County Treasurer and Marion County Finance Officer will review the current Administrative Code and purchase order system and recommend changes to the policy.

Finding: Has not adopted a fixed asset capitalization policy and did not prepare a capital asset listing for the fiscal year.

The Marion County Fiscal Court has not adopted a capitalization threshold policy for fixed assets and did not prepare a capital asset listing for the fiscal year. The fiscal court was not aware of the Department for Local Government's (DLG's) requirement to adopt a capitalization threshold policy for fixed assets. Per the finance officer, the county prepares an additions and disposals schedule for auditors each year with items listed at market value; however, the county does not maintain a complete capital asset listing.

Recommendations

We recommend the fiscal court adopt a capitalization threshold policy and ensure a complete capital asset schedule is prepared and maintained per DLG policy.

County Officials Response

County Judge/Executive's Response: Marion County Fiscal Court will adopt a Fixed Asset Capitalization Policy and prepare a capital asset listing going forward.

Finding: Does not have adequate controls over the commissary and inmate accounts.

The Marion County Jail failed to establish and implement adequate controls over the commissary and inmate accounts. As a result, the following deficiencies were noted during the audit:

- The jailer maintains three bank accounts: the commissary account, the inmate trust fund account, and the bond account. None of the three bank accounts were properly reconciled at year-end. All outstanding items were not included on the bank reconciliations, and stale-dated checks were not voided in the accounting software. The year-end bank reconciliations for the inmate trust fund account and commissary account overstated outstanding checks by \$27,356 and \$1,893 respectively. These checks were voided during the year. As a result, the inmate trust fund account was not properly reconciled to total individual inmate balances.
- The jail commissary annual financial statement presented to fiscal court was incorrect and did not include all required information with the ending balance reconciled to the bank balance. The commissary report omitted commissary receipts and disbursements totaling \$527,587 that were paid from the inmate trust fund account.
- Booking, bonding, housing and medical fees collected from August 2023 to October 2023 were not remitted to the fiscal court until November 28, 2023.

Recommendations

We recommend the Marion County Jail do the following:

- Submit a detailed and accurate annual financial statement to the county treasurer for the Jail Commissary Fund. The financial statement should be compiled using financial information from receipts and disbursement journals, with the ending balance reconciled to the bank balance, and properly reconciled to total inmate individual balances.
- Account for inmate deposits, which are custodial funds held in trust by the jail, separately from the canteen funds, which belong to the jail.
- Prepare accurate ledgers and bank reconciliations.
- Follow KRS 441.137 to determine the amount of unexplained overage in the inmate trust fund account that can be transferred to the commissary account.
- Prepare three-part receipt forms for all receipts, prepare daily checkout sheets, make deposits intact daily, pay all invoices timely, and adhere to bid laws.
- Contact the telecommunications vendor to determine if a refund is due to the jail as a result of the duplicate payments made during the year.
- Segregate incompatible duties over the accounting functions. If segregation of duties is not feasible due to lack of staff, we recommend the jailer implement and document compensating controls and supervisory review.

County Officials Response

Jailer's Response:

- *All stale dated checks will be written off in the accounting software at year end so the accounts are not overstated and can be properly reconciled.*
- *Commissary receipts and disbursements that were paid from the inmate trust fund account will be included in the jail commissary annual financial statement presented to the fiscal court.*
- *Booking, bonding, housing and medical fees collected are now remitted to the fiscal court within 5 business days following the end of the collection month.*
- *The new canteen clerk and new business manager will more closely monitor the account ledgers to ensure no duplicate check entries are made, correct check amounts are entered in the ledger and all voided checks are removed.*
- *Daily checkout sheets for receipts of the commissary account and inmate trust fund account were implemented at the beginning of FY2024-2025 and continue to be used.*
- *Receipts will be prepared and maintained for all monies received by the jail.*
- *The new canteen clerk will begin making all deposits within twenty-four hours of receipt.*
- *The new canteen clerk and new business manager will ensure all invoices are paid within 30 days of the receipt date.*
- *The new canteen clerk and new business manager will ensure proper invoices are attached to all disbursements.*
- *The new canteen clerk and new business manager will ensure disbursements match invoice amounts.*
- *The new canteen clerk and new business manager will more thoroughly check for previous payments before paying invoices.*
- *The jailer will request bids for telecommunications services at the end of each contract period.*

- *The purchase of general commissary inventory has never been a contracted service, a limited amount of inventory is purchased by the jail and kept on hand; the remainder is individual purchases made by the inmate population directly from the vendor; therefore, we do not agree that these purchases require a bid process.*
- *The inability to trace all disbursements from the individual inmate balance reports to the commissary reports and orders sheets has been rectified with the software change from [software name redacted] to [software name redacted] as [software name redacted] provides more accessibility to reporting.*
- *The canteen clerk makes deposits to the commissary account and issues receipts, while the business manager makes disbursements, issues receipts, and completes the reconciliation. The canteen clerk solely makes disbursements, issues receipts, makes deposits and reconciles the inmate account; however the jailer and business manager review the reconciliation and sign off on it.*

Auditor's Reply: Inmate funds are maintained in a bank account controlled by the Jailer. That bank account made purchases of commissary inventory from two commissary vendors totaling \$57,662 and \$287,638, respectively. KRS 424.260 requires advertisement for bids or contracts involving an expenditure of more than \$40,000. The situation described by the jailer potentially implicates the application of Section 164 of the Kentucky Constitution because it grants a special privilege to the vendor that is not available to the general public. Similar to KRS 424.260(1), Section 164 requires advertisement for bids and selection of the highest bidder.

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

