



Auditor of Public Accounts
Mike Harmon

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Contact: **Michael Goins**
Michael.Goins@ky.gov
502.564.5841
502.209.2867

Harmon Releases Audit of Logan County Fiscal Court

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statement of the Logan 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 Logan 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 comment:

The Logan County Fiscal Court does not have adequate internal controls over their bid process: This is a repeat finding and was included in the prior year audit report as Finding 2019-001. In Fiscal Year 2020, the Logan County Fiscal Court had internal control deficiencies over the bid process. The following findings were noted in regards to Logan County Fiscal Court’s bids:

- The Logan County Fiscal Court failed to rebid for the jail food service provider for Fiscal Year 2020. The fiscal court initially bid and entered into a renewable contract with the food service provider on June 1, 2016. The bid advertisement published by the fiscal court did not include the period of time for which the contract would be made.

- On April 9, 2019, the Logan County Fiscal Court voted to approve a resolution that Logan County accept all annual bids for petroleum products for Fiscal Year 2019-2020, with the exception of one vendor. On the same date, the Logan County Fiscal Court also voted to approve a resolution that the county accept all annual bids for passenger and industrial tires for the Fiscal Year 2019-2020, and that members of Logan County government shall purchase tires from the best source depending on the cost and availability of the product.
- The bid accepted for asphalt had a clause for fluctuations in petroleum-based products, allowing the vendor the right to adjust the proposal price (+ or -) at the time of installation to reflect changes in petroleum-based products using the Kentucky Average Price Index (KAPI) as published by the Kentucky Transportation Cabinet. An employee at the road department calls the vendor at the beginning of each month to get the new price for asphalt, but he does not verify that this information agrees to the KAPI.

The judge/executive told the finance officer that according to the county attorney it was not necessary to rebid the food service provider, since there is an auto-renew clause in the contract. Additionally, there is a lack of knowledge and internal controls over bidding procedures and bid laws. Since bidding procedures were not followed, it is possible that the county did not get the lowest rate for a jail food service provider or be billed the correct amount for petroleum based products. This also puts the county at higher risk for potential fraudulent purchases.

Strong internal controls require management to monitor disbursements and purchase orders to ensure compliance with bid laws. Good internal controls would also include requiring the documentation of agreement of bid elements included on invoices, such as the of KAPI amounts, to sources referenced in the original bid document. The fiscal court's administrative code states "After analyzing each bid with the assistance of the particular Department Head or other expert, the Judge Executive creates a written recommendation as to the best bid by a responsible bidder.", which indicated a single bid and bidder be awarded. Additionally, OAG 74-420 states, "It had been noted that the advertisement requirement and the bidding process itself involves three important benefits: (a) an offering to the public, (b) an opportunity for competition and (c) a basis for exact comparison of bids." OAG 94-20 also notes that a bid advertisement under KRS 424.260 must reasonably state the expected quantity of items purchased, either by stating the quantity to be purchase, the period of time over which a continuing procurement will be made, or some other reasonable basis.

We recommend fiscal court implement internal controls to monitor all procurements in order to ensure that all required elements of bidding procedures are followed. The fiscal court should also ensure that bid prices and other elements included in approved bids, agree to the invoices submitted by vendors.

County Judge/Executive's Response:

- *Logan County Fiscal Court will address and correct the bid process for contracts to be for each fiscal year or a specific period of time.*
- *Logan County Fiscal Court will award bids to only one bidder or reject all bids.*
- *Logan County Fiscal Court will develop bid specifications that will allow all car manufactures to bid.*

- *Logan County Fiscal Court diligently works to ensure that itemized invoices are received and will make sure bid invoices are specific.*
- *Logan County Fiscal Court will check the KAPI before agreeing to the price on asphalt before it is applied and will ensure that copies of the KAPI documents are attached to all invoices.*

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

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