

Supreme Court of Kentucky

2019-04

ORDER

IN RE: External Audits of the Administrative Office of the Courts

Under Section 110(5)(b) of the Kentucky Constitution and KRS 27A.010, the Chief Justice of the Commonwealth is designated as the “executive head of the Court of Justice.” Section 116 of the Kentucky Constitution further gives the Supreme Court “power to prescribe ... rules of practice and procedure for the Court of Justice,” and Supreme Court Rule 1.010 vests the Supreme Court and the Chief Justice with the “policy-making and administrative authority of the Court of Justice,” including “all fiscal management.”

The Auditor of Public Accounts’ recent Examination of Certain Operations, Internal Controls, and Policies of the Administrative Office of the Courts (AOC) recommended annual external audits of the agency. The report further recommended that the Auditor of Public Accounts be permitted “a right of first refusal to audit or examine AOC each year.” The Auditor of Public Accounts’ examination of the AOC took over 12 months to complete and cost \$125,000.

Following the release of the Auditor of Public Accounts’ report, the AOC issued a Request for Proposal for outside expertise to carry out the audit’s recommendations. Deloitte, a leader in auditing, enterprise risk, finance,

strategy, and operations, was chosen from among the proposals. Deloitte has made several initial recommendations for the AOC, including the creation of an internal auditing department and the establishment of an Audit Oversight Committee. Deloitte has also recommended that AOC undergo an external audit at least every two years.

The Supreme Court agrees that ongoing external audits of the Administrative Office of the Courts are necessary to promote transparency regarding the operation and administration of the Kentucky Court of Justice. To ensure these examinations are conducted in the most efficient, cost-effective, and impartial manner, external auditing services should be conducted on a biennial basis and should be competitively bid.

Accordingly, under the authority granted by Sections 110(5)(b) and 116 of the Kentucky Constitution; KRS 27A.010; and Supreme Court Rule 1.010, the Supreme Court hereby ORDERS that the Administrative Office of the Courts shall:

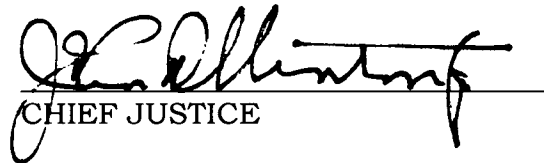
1. Issue Requests for Proposals every two years to conduct an external audit of its operations in accordance with Generally Accepted Government Auditing Standards, beginning with Fiscal Year 2020;
2. Make public any report resulting from an external audit;
3. Develop and propose Administrative Procedures to establish an Audit Oversight Committee; and

4. Develop and propose Administrative Procedures relating to internal auditing controls.

This Order shall be effective upon entry and until further Order of this Court.

Minton, C.J.; Hughes, Keller, Lambert, VanMeter, and Wright, JJ., sitting. All concur.

Entered this 18th day of February 2019.


CHIEF JUSTICE