



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 Rockcastle County Fiscal Court

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

The Rockcastle County Jailer failed to properly reconcile the commissary account: This is a repeat finding and was included in the prior year audit report as Finding 2022-001. The jailer maintains a commissary account for inmate purchases. The bank reconciliation for this account did not properly reconcile the account to the ledgers.

The jailer did not ensure staff were properly trained in the preparation of bank reconciliations. The review procedures in place failed to detect the error.

The June 30, 2022 bank reconciliation did not agree to the June 30, 2022 year-end financial statement. Failure to reconcile all accounts accurately could result in misstatements. A

misstatement could result in an increased risk of uncorrected errors, theft, loss or misappropriated assets.

Proper internal controls over reconciliations are important to ensure accurate records and financial reporting. In addition, KRS 68.210 required the state local finance officer to create a system of uniform accounts for all counties and county officials. The *DLG County Budget Preparation and State Local Finance Officer Policy Manual* requires monthly reconciliation of bank accounts under the minimum requirements for handling of public funds section.

We recommend the jailer improve controls over the jail commissary bank reconciliation to ensure the ending reconciled bank balance is accurate.

Jailer's Response: I have started an Audit team and put in place to focus on all accounts.

The Rockcastle County Jailer lacks internal controls over inmate and commissary receipts:

This is a repeat finding and was included in the prior year report as Finding 2021-002. The jailer has responsibility for collecting certain monies, including monies from and for inmates of the jail and jail commissary receipts. The majority of monies collected at the jail are inmate monies. Most deposits to inmate accounts are completed through a kiosk system or via the internet. Deposit kiosks are maintained in the lobby and booking area of the jail. Individuals can deposit money into an inmate's account via the kiosk in the lobby or via the internet or funds possessed by inmates upon being incarcerated can be deposited via the kiosk in the booking area. The kiosk will print a receipt that can be retained by the person depositing the money. Jail staff do not retain receipts for any funds deposited into the kiosks. Deposits made via the kiosk system automatically update the inmate's ledger. Deposits for inmate monies received through the kiosk are made by the jailer and/or his staff. No report is processed when monies are removed from kiosks for deposit to allow for a reconciliation to compare the monies received via the kiosks to the bank deposit and the reports from the kiosks. Also no daily checkout sheet procedures were performed to reconcile kiosk and manual receipts. No daily checkout sheets were completed or maintained for either the inmate or jail commissary accounts.

The jailer did not have controls in place to ensure that staff knew the requirements and the jailer did not monitor or review financial reports and data to make sure requirements were met for handling inmate and jail commissary funds.

When internal controls over receipts are not implemented or monitored to ensure the proper handling of funds, the risk of misappropriation of assets due to errors in financial reporting and/or theft of funds significantly increases.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The minimum requirements for handling public funds as stated in the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* requires that prenumbered receipt forms should be issued for all receipts. A copy of each receipt in sequential order should be attached to the daily checkout sheet. The daily checkout sheet should agree to the required daily deposit and receipts ledger. A monthly bank reconciliation should be completed and agreed to the underlying accounting records.

We recommend the jailer implement internal controls to ensure that all forms of monies received at the Rockcastle County Detention Center are accounted for and reconciled appropriately as required by KRS 68.210. Daily checkout sheets for the jail commissary account and inmate account should be completed to support amounts collected at the jail. Daily deposits of jail commissary and inmate receipts should be completed.

Jailer's Response: A Daily Checkout Sheet has been implemented along with an Audit team put in place to focus on correcting all issues.

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

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