



Auditor of Public Accounts
Mike Harmon

FOR IMMEDIATE RELEASE

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

Harmon Releases Audit of Rowan County Fiscal Court

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statement of the Rowan 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 Rowan 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 Rowan County Jail does not have adequate segregation of duties over jail commissary receipt transactions: The jail does not have adequate segregation of duties over jail commissary receipt transactions. The bookkeeper for the jail commissary prepares deposits, prepares daily checkout sheet, and posts to the receipts ledger. According to the jailer, the limited number of staff in the office at the jail prevents a proper segregation of duties. Inadequate segregation of duties allows one person to have a significant role in processing and recording receipts, which increases the risk that undetected misappropriation of assets and inaccurate financial reporting will occur. A deficiency occurs when someone has custody over assets and the responsibility of recording financial transactions. The lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to the fiscal court.

A strong internal control system requires the duties of receiving, recording, disbursing, and reporting be segregated in order to decrease the risk of misappropriation of assets, errors, and inaccurate financial reporting to external agencies. Although the jailer has implemented some compensating controls, such as dual signatures on checks, they do not eliminate the risk associated with inadequate segregation of duties. We recommend the jailer segregation duties over the jail commissary receipt process. If these duties cannot be segregated, the jailer should implement additional compensating controls to help offset this weakness:

- Recount the daily deposit and verify that it agrees to the daily checkout sheet.
- Agree daily checkout sheet to the receipts ledger and deposit slip.
- Review the monthly reports and agree them to the receipts ledger and disbursements ledger.
- Review the monthly bank reconciliation and trace transactions to source documents.

The jailer should initial these documents as proof of his review. We recommend the jailer either segregate duties adequately or implement and document compensating controls.

County Judge/Executive's Response: We concur with the Jailer's response.

County Jailer's Response: I will look over all jail deposits, and reconcile bank statements.

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

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