



Auditor of Public Accounts  
Mike Harmon

**FOR IMMEDIATE RELEASE**

Contact: **Michael Goins**  
[Michael.Goins@ky.gov](mailto:Michael.Goins@ky.gov)  
**502.564.5841**  
**502.209.2867**

**Harmon Releases Audit of Casey County Fiscal Court**

**FRANKFORT, Ky.** – State Auditor Mike Harmon has released the audit of the financial statement of the Casey County Fiscal Court for the fiscal year ended June 30, 2018. 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 Casey 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 comments:

**The Casey County Jail Commissary lacks adequate segregation of duties:** This is a repeat finding and was included in the prior year audit report as Finding 2017-006. The Casey County Jail Commissary lacks adequate segregation of duties over all jail commissary accounting functions. The jailer’s bookkeeper receives the mail, collects cash, issues receipts, prepares and deposit receipts, writes and signs checks, and prepares bank reconciliations. The bookkeeper also posts to the receipts and disbursements ledger.

According to the jailer’s bookkeeper, this condition is a result of a limited budget, which restricts the number of employees the jailer can hire or delegate duties to. The lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to the fiscal court.

A proper segregation of duties over the accounting functions or implementing compensating controls, when necessary because of a limited number of staff is essential for providing protection from undetected errors occurring. Additionally, a proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the jailer segregate the duties of preparing deposits, recording receipts, preparing the bank reconciliations, and signing checks. If segregation of duties is not feasible due to lack of staff, we recommend the jailer implement and document compensating controls to offset this control deficiency.

*County Jailer's Response: The Casey Co. Detention Center Commissary hired another individual in August of 2018 to help with all canteen duties. This now makes it possible for all duties to be supervised by two canteen employees, captain, and the jailer.*

**The Casey County Jail commingled inmate monies with commissary funds:** This is a repeat finding and was included in the prior year audit report as Finding 2017-002. The jailer maintains two separate bank accounts to account for receipts and disbursements of the jail commissary fund. The inmate account is used for all inmate monies received and disbursed as refunds or transfers to the commissary account for commissary purchases by the inmates, and jail fees collected from the inmates for payment to the county treasurer. No other receipts should be deposited into this account and no other disbursements should be made from it. Deposits to the commissary account should only consist of transfers from inmate accounts for commissary purchases and jail fees collected from the inmates as well as any other monies relating to commissary activity.

As of June 30, 2018, the inmate account balance had a reconciled balance of \$58,584. Based on the inmate report, inmate balances totaled \$8,497 as of June 30, 2018, leaving \$50,087 of monies in the inmate account unaccounted for.

This was able to occur due to the lack of oversight and review of the monthly reconciliations. By paying expenditures other than for inmates from the inmate account, private monies could be used for a public purpose. This also allows an opportunity for cash to be diverted or misappropriated.

KRS 64.850 states, “[i]t shall be unlawful for county official to deposit public funds with individual or private funds in any bank or other depository or for any such official to withdraw public funds for any purpose other than which they were received and deposited.”

We recommend the jailer avoid comingling inmate and commissary funds by depositing inmate monies only to the inmate account, and issuing checks from the inmate account only for refunds and transfers to the commissary fund for fees paid and purchases made by inmates. All other receipts should be deposited to the commissary account and all other disbursements should be made from the commissary account.

*County Jailer's Response: Since the canteen account, and inmate money account was at one time combined, there is several checks that has not been cashed. We are currently in the process of calling all inmates that have not attempted to cash their balance refund. We currently, up to the*

*present have called all inmates up until the date 10/17/16. We plan on continuing to contact those inmates that haven't cashed their check so we will be able to move those funds to the canteen account.*

**The Casey County Jailer did not follow up on all outstanding checks in a timely manner:** This is a repeat finding and was included in the prior year audit report as Finding 2017-001. The jailer had numerous outstanding checks dating back to 2008. Also, all uncleared outstanding checks used prior to this date have been sent to the Kentucky State Treasurer as unclaimed property but are still reported on the outstanding check list.

The bookkeeper did not have time to go back and follow up on outstanding checks and contact inmates. Not following up on old outstanding checks can cause the cash balance to be misleading and not show the correct balance.

Effective July 12, 2012, KRS 441.137(1) states, “[f]or any moneys in an inmate account or prisoner canteen account of a jail that are not returned to a prisoner at the time he or she is released from the jail, the jailer shall transmit a check for the balance of the moneys by first class mail to the released prisoner at his or her last known address. If the check is returned as undeliverable, then the jailer shall attempt to contact the prisoner at a telephone number on file, if any, to arrange the return of moneys. If the moneys are not claimed after the jailer fulfills the requirements of this subsection, the moneys shall be presumed abandoned after one (1) year after the date the check is mailed or, if an attempt to call is made, the date of the phone call.” Additionally, KRS 441.137(2) specifies any abandoned moneys as set out in subsection (1) shall be transferred into the canteen account if there are two (2) different accounts, or shall remain in the canteen account and be available for the purposes set out in KRS 441.135.

We recommend the jailer properly account for outstanding checks and maintain adequate documentation to support any voided checks or voided debit card releases paid to inmates to properly report outstanding payments each month. We also recommend the jailer review the resident balances report at least monthly to ensure amounts due inmates are paid upon release from the jail. We further recommend the jailer document any unclaimed inmate money which has been abandoned and added to the funds available for the for the benefit of the inmates in accordance with KRS 441.137.

*County Jailer's Response: We are currently in the process of calling all inmates that have not attempted to cash their balance refund. We currently, up to the present have called all inmates up until the date 10/17/2016. We plan on continuing to contact those inmates that haven't cashed their check so we will be able to move those funds to the canteen account.*

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

###

*The Auditor of Public Accounts ensures that public resources are protected, accurately valued, properly accounted for, and effectively employed to raise the quality of life of Kentuckians.*

*Call 1-800-KY-ALERT or visit our website to report suspected waste and abuse.*

