



Auditor of Public Accounts
Mike Harmon

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Harmon Releases Audit of Christian County Fiscal Court

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

Finding 1 of this report will be referred to the Christian County Ethics Commission.

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:

Jail commissary funds should not be used as a donation to private institutions or create personal benefit: During testing of jail commissary expenditures we noted a payment to a local private school for a basketball fundraiser of which an immediate family member of the jailer was a beneficiary. The \$1,200 payment was for the purchase of 240 boxes of snack cakes. The cost of each box was \$5. The same items could be purchased at local variety stores for approximately \$2 per box, which would have cost the jail commissary about \$480. The jailer authorized this purchase.

According to the jailer, he was unaware that the purchase of the snack cakes at an inflated price caused the purchase to essentially be a donation to the private school, which is prohibited by Section 177 of the Kentucky Constitution and not a proper use of commissary profit as prescribed by KRS 441.135. Internal controls weren't effective in preventing the jailer or staff from spending commissary funds on a donation.

The inflated purchase price of the transaction effectively removed \$720 from commissary funds that could have been used for the benefit and safety of prisoners and created an inappropriate donation to a private school, which reduced the personal expenses of the student/parent who was participating in the fund raiser.

KRS 441.135 states, “(1) The jailer may maintain a canteen for the benefit of prisoners lodged in the jail and may assign such jail employees and prisoners to operate the canteen as are necessary for efficient operation. (2) All profits from the canteen shall be used: (a) For the benefit and to enhance the well-being of the prisoners; or (b) To enhance safety and security within the jail. (3) Allowable expenditures from a canteen account shall include but not be limited to recreational, vocational, and medical purposes.”

Additionally, the Christian County Ethics Code prohibits transactions that create personal benefit by stating, “II. A. No county government officer...shall...engage in any...transaction...which is in substantial conflict with the proper discharge of his duties in the public interest. B. No county government officer...shall use or attempt to use his official position to secure unwarranted privileges or advantages for himself or others.”

The Kentucky Constitution, Section 177 states, “[t]he credit of the Commonwealth shall not be given, pledged or loaned to any individual, company, corporation or association, municipality, or political subdivision of the State; nor shall the Commonwealth become an owner or stockholder in, nor make donation to, any company, association or corporation[.]” Christian County is a political subdivision of the Commonwealth, and as such is bound to the provisions in Section 177 of the Constitution. Additionally, *The County Budget Preparation and State Local Finance Officer Policy Manual* issued by the Department for Local Government (DLG), prohibits donations, by stating, “[n]o bonuses, no prepayment for goods or services, and no contributions.”

Effective internal controls require management to understand and follow all guidance concerning the jail commissary funds in order to prevent inappropriate use.

We recommend the jailer refrain from making inflated purchases that create donations to private entities, and ensure that commissary profit is only used for the benefit for the inmates. The jailer should also abstain from actions that appear to be in violation of the Christian County Ethics Code. This matter will be referred to the Christian County Ethics Commission.

County Judge/Executive's Response: Please see Jailer's response.

Jailer's Response: The Christian County Jail will refrain from purchasing snack cakes from local fundraisers.

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

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