



Auditor of Public Accounts
Adam H. Edelen

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Contact: **Stephenie Hoelscher**
stephenie.hoelscher@ky.gov
502.564.5841
502.209.2867

Edelen Releases Audit of Daviess County Fiscal Court

FRANKFORT, Ky. – State Auditor Adam Edelen has released the audit of the financial statements of the Daviess County Fiscal Court for the fiscal year ended June 30, 2015. State law requires annual audits of county fiscal courts.

Recent changes in auditing standards require the auditor's letter to communicate whether the financial statement presents fairly the receipts, disbursements and changes in cash and cash equivalents of the Daviess County Fiscal Court in accordance with generally accepted accounting principles in the United States. The report found that the financial statement of the Fiscal Court 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 non-compliance with laws, regulations, contracts and grants. The auditor must also comment on material weaknesses involving the internal control over financial operations and reporting.

The audit contains the following comment:

The Daviess County Jail failed to implement adequate internal controls over commissary and inmate funds. The Daviess County Jail had the following internal control weaknesses and non compliance in FY 2015:

- Deposits were not made daily. Each cash drawer is batched out daily and the employee places the money collected along with a cash-out receipt in a locked safe. This money is collected three times a week by the bookkeeper and a deposit is prepared and taken to the bank.

- Jail vendor employees are handling inmate funds with no oversight. The Jail has not implemented any internal controls to review the work of the jail vendor employee who handles inmate monies. The jail vendor is a service organization and did not have a service organizational controls report performed by an independent auditor.
- Daily check out sheets did not properly separate fees by category. The daily check-out sheets used by the jail are cash logs of each cash drawer's deposit, but the bookkeeper also attaches supporting documentation. The supporting documentation is a list of all the receipts that were collected; however, the listing does not show what the receipt was collected for.
- Daily check-out sheets did not agree to supporting documentation attached to the daily checkout sheets. Auditors tested commissary daily checkout sheets for one week and noted there were three deposits made during the period tested. Of these three deposits the auditor noted five instances in which a "cash-out receipt" was included on the supporting documentation but was deposited in the prior deposit. There were two instances in which supporting documentation showed a deposit for the lobby kiosk even though these funds are deposited by Trinity Services and not included in the bookkeeper's deposit. Additionally there was one instance in which the supporting documentation report was printed prior to the transaction being complete. The transaction was included in the next deposit.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. This uniform system of accounts, as outlined in the County Budget Preparation and State Local Finance Officer Policy Manual requires the Jailer or assigned personnel to make daily deposits and separate individual receipts into categories listed on check- out sheets. Additionally good internal controls dictate management review of all accounting for commissary and inmate funds.

There was no management oversight to determine if any of these activities were being performed. The risk of misappropriation and inaccurate financial reporting is increased due to the lack of oversight. We recommend the Daviess County Jail deposit inmate and commissary funds daily, daily check-out sheets detail fees collected so that the fiscal court can verify inmate fees due the jail funds, have accurate supporting documentation for the daily checkout sheets, and have knowledgeable jail employees review work of vendor employees who handle inmate monies.

County Judge Executive's response: We have confirmed that the Jailer is aware of the issue and that he is working to resolve the problem and that he will inform the County of his recommendation.

Jailer's response:

- *The Daviess County Detention Center will begin making deposits daily during the business week.*
- *The above mentioned vendor (Trinity Services) is a licensed Money Transmitter in the state and is regulated at both the state and federal level, including the Commonwealth of Kentucky*

Department of Financial Institutions, in connection with all inmate deposits that are processed by this vendor. The vendor's financials are audited on an annual basis and also has an independent audit conducted annually in relation to their Money Transmitter services including inmate deposits. This vendor is also subject to annual exams by Wells Fargo and various State audits. This vendor is registered with Financial Crimes Enforcement Network (FinCEN) and regulated by them as well. They also adhere to all Office of Foreign Asset Controls (OFAC) requirements. All monies collected by this vendor through their services are deposited in real time to inmate accounts with a receipt or confirmation number being provided to the depositor. In addition to the verification of acceptance by the depositor, the inmate can immediately view the receipt of the transaction into their account using in-pod kiosks. The Daviess County Detention Center has many controls available within the trust fund accounting system and these controls are frequently utilized to monitor these transactions to include: viewing and reprinting of all receipts, timeframe based transaction reports, deposit reports showing the time and total of all vendor made deposits (in order to verify to the inmate reports totals for the same time period). The vendor guarantees the deposit of all funds to both the inmate account as well as the trust account through all of their services. However, the jail is working with the vendor to be in complete compliance with the auditor's recommendation.

- *With each inmate transaction for incoming money, the money is put into the inmate's commissary account. Only after it is entered into the accounting system as commissary account money, does it get collected towards debt. All incoming inmate monies are therefore commissary account money. The Daviess County Detention Center will note the transactions as such. Furthermore, a system will be implemented in which all cash drawers will be closed out just prior to collecting money. Additionally, no further transactions will be added until the bookkeeper has completed collecting all money and a list will be printed illustrating what the receipts was collected for. This will alleviate extra or missing transactions appearing in the wrong day's report.*
- *The Daviess County Detention Center will implement a system to check the accuracy of the reports being provided for the daily deposits. Prior to the deposit being made, a separate staff member will check and approve the reports to make sure there is no missing information and the backup is complete for each deposit.*

I would like to mention that even though the procedures did not necessarily meet the auditor's procedures, there were no inmate or jail funds determined to be missing or unaccounted for due to errors in reporting.

We will immediately begin making deposits daily during the business week. The jail will establish adequate internal controls over commissary and inmate funds to be in compliance with auditor's standards.

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

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