



Auditor of Public Accounts
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Latest Data Bulletin by Auditor Harmon Focuses On Communication Services, Equipment Contracts for Kentucky County Jails

Report highlights procurement, financial relationships between jails and vendors

FRANKFORT, Ky. (July 15, 2021) – Mike Harmon, Kentucky’s 47th Auditor of Public Accounts, today released a data bulletin by his office that provides information to taxpayers on communication services provided by Kentucky’s county jails to their inmates and the revenue generated for the jails. The data bulletin examines each county jail’s communication services and equipment contracts active from July 1, 2019 and November 15, 2020.

“These contracts have become a newly developed source of revenue for our county jails, and are raising a variety of issues for jailers, county governments, and our auditors,” said Auditor Harmon. “Our data bulletin, which is not an audit, provides information about the types of communication service contracts at county jails, how they were procured, and the financial benefits jails are receiving from communication services vendors.”

Auditor Harmon made the decision to assemble a data bulletin to provide a consolidated statewide overview of these contracts, so it can be used as a resource for county governments, jailers, and legislators.

In addition to reviewing contracts and procurement criteria, auditors surveyed county-operated jails across the Commonwealth to gather additional information about current practices and procedures related to their communication services and equipment contracts. Based on survey responses, only 32 contracts were awarded by competitive bidding, while 81 contracts were either not bid or the survey respondents did not know whether the contract had been bid.

“Jailers would benefit from more guidance as to how these contracts should be procured,” Auditor Harmon said. “We want to highlight areas where laws could be clearer relating to

procurement and the proper handling of public funds, because it makes things better for local officials who want to do things the right way, and most importantly for the taxpayers we all serve.”

For Fiscal Year 2020, the majority of revenues that Kentucky’s county jails reported as receiving from communication services and equipment contracts came from commissions and technology grants. During FY 2020, 75 county jails reported commissions of more than \$9.68 million. Additionally, 29 jails received over \$1.38 million from technology grants during FY 2020. These technology grant funds were used for a variety of purchases, a sample of which are detailed in our report.

Auditor Harmon’s data bulletin also highlights the types of benefits that jails were eligible to receive from communication services and equipment contracts. The below charts detail the types of benefits auditors identified and the frequency in which benefits were included in these contracts:

Description of Benefit Types

Benefit Type	Description
Commission	A payment made to the jail by a vendor for transacting a piece of business or performing a service. Commissions are often based on a percentage of sales.
Technology Grant	Monetary assistance awarded by the vendor to the jail for offsetting additional expenditures, presumably related to technology advancement. Funding is not linked to a percentage of sales and is not typically required to be paid back to the vendor.
Signing Bonus	A one-time monetary award paid by the vendor to the jail for entering into a contract, renewing a contract, or adding new services to the pre-existing contract.
Incentive Payments	A monetary incentive offered by the vendor to motivate purchaser to use their product or service.
Line-of-Credit	A sum of money that the jail may borrow from the vendor as needed, but must be repaid; purpose is unclear.
Free Maintenance	All or just specific maintenance to be provided by the vendor free of charge to the jail during the term of the contract or for a specified period of time.
Free Monitoring and Archiving of Communication	Vendor will provide the jail access to equipment and reports that monitor inmate use of services provided.
Other Compensation, Goods, or Services of any Value	Any other benefit received that doesn’t fall within one of the other categories listed.

Source: APA, based on a comprehensive review of county jail communication services and equipment contracts.

Benefit Types within Contracts

Benefit Types	Number of Contracts with Benefit Type	Percentage of Contracts with Benefit Type
Signing Bonus	11	9%
Technology Grant	48	41%
Other	54	47%
Free Monitoring & Archiving of Communication	84	72%
Free Maintenance	106	91%
Commission	116	100%

Source: APA, based on county jail communication services and equipment contracts.

Because procurement of these contracts is not addressed in Kentucky statutes, Auditor Harmon’s office says guidance is limited to jailers on communication services and equipment contracts. For example, if a jailer is seeking to award a contract to the best bidder, it is unclear whether that would steer an award toward maximizing revenue for the jail, or providing the lowest cost services to inmates, or some balance between those and other potential factors.

“I believe the General Assembly should pass legislation to provide guidance on procuring these contracts, clarify requirements on the use of technology grants and similar funds, and, most importantly, ensure full transparency on the reporting of benefits and revenues jails receive from these contracts,” Auditor Harmon said. “My office stands ready to work with legislators and be a resource on this topic in the 2022 Regular Session.”

The data bulletin report, “An Examination of County Jail Communication Services and Equipment Contracts,” can be reviewed on the [auditor’s website](#).

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