



Auditor of Public Accounts
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Harmon Releases Audit of Rowan County Sheriff's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2017 financial statement of Rowan County Sheriff Matt Sparks. State law requires the auditor to annually audit the accounts of each county sheriff. In compliance with this law, the auditor issues two sheriff's reports each year: one reporting on the audit of the sheriff's tax account, and the other reporting on the audit of the fee account used to operate the office.

Auditing standards require the auditor's letter to communicate whether the financial statement presents fairly the receipts, disbursements and excess fees of the Rowan County Sheriff in accordance with accounting principles generally accepted in the United States of America. The sheriff's financial statement did not follow this format. However, the sheriff'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 all 120 sheriff 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 the internal control over financial operations and reporting.

The audit contains the following comments:

The sheriff's office has an internal control weakness in disbursements of the asset forfeiture account: This is a repeat finding that was included in the prior year audit report as Finding 2016-002. The sheriff's office made \$13,000 of cash withdrawals from the asset forfeiture account for use in drug enforcement activities. These withdrawals and activities are allowable, however the method of withdrawal for \$13,000 was by debit card at an ATM. The ATM withdrawals were not approved by anyone other than the employee who made the withdrawals. There is no documentation that the monthly reports showing the use of these funds are being reviewed by anyone. And, any unspent cash is not being maintained in a secure place when not in use.

The sheriff has not provided direct supervision of or ensured that he maintained proper oversight of the asset forfeiture account withdrawals, monthly reporting, and cash on hand.

ATM withdrawals and lack of approval of monthly reports allows transactions to occur that may not be authorized by the sheriff. Unsecured cash is susceptible to misappropriation.

The state local finance officer, under the authority of KRS 68.210, recommends all disbursements be made by check. Good internal control practices include making disbursements by check that includes the sheriff's signature. By ensuring cash withdrawals are authorized and reported properly, both the sheriff and his employees are protected should discrepancies be found. Further, cash should always be maintained in a secure location when not in use.

We recommend cash withdrawals be made by check. The checks should be signed by the sheriff, or two individuals, with one being the sheriff. We also recommend the sheriff approve the monthly reports for the use of these funds. We further recommend that any unused cash from these transactions be maintained in a secure location, such as a safe in the sheriff's office. This cash should be regularly counted and any use should be documented and witnessed.

Sheriff's Response: Chief Deputy reviews these monthly reports but has failed to sign or initial them in the past. From this point forward I will personally review and sign off on these reports. We will also write checks to make withdrawals and secure any unspent cash in a safe in our office.

The sheriff's office has an internal control weakness in disbursements and reporting of the sheriff project fund: In August 2017, the sheriff's office received \$25,000 from the fiscal court to be used for combating illegal drugs. There was no specification as to where the funds should be deposited or for what they could be expended, and there was no written agreement or reporting requirements. The sheriff expended \$1,410 of these funds; however, the transactions were by debit card. One transaction for \$910 was a debit card purchase and the other was a debit card cash withdrawal at an ATM. The debit card transactions were made by an employee of the sheriff's office and there is no documentation these transactions were reviewed or authorized by the sheriff.

The sheriff stated that because fiscal court had not required a written agreement or any reports, he did not think any additional reporting to fiscal court was necessary. The sheriff has not provided direct supervision of or ensured that he has maintained proper oversight of the Sheriff Project Fund withdrawals.

ATM withdrawals and debit card purchases allow transactions to occur that may not be authorized by the sheriff. By not providing reports on the use of the funds to the fiscal court, the fiscal court is not aware of how the funds are being used.

The state local finance officer, under the authority of KRS 68.210, recommends all disbursements be made by check in the County Budget Preparation and State Local Finance Officer Policy Manual. Good internal control practices include making disbursements by check that includes the sheriff's signature. By ensuring cash withdrawals are authorized and reported properly, both the sheriff and his employees are protected should discrepancies be found. In July 2018, the fiscal

court clarified the use of the funds and requested an annual financial statement retroactive to July 1, 2017.

We recommend cash withdrawals be made by check as required by the state local finance officer. The checks should be signed by the sheriff, or two individuals with one being the sheriff. We also recommend the sheriff provide the fiscal court with an annual financial statement for fiscal year ending June 30, 2018.

Sheriff's Response: Each year at our request, we report our efforts to address drug addiction issues in our county to our Fiscal Court. In August 2017, the court gave us \$25,000 with instructions that these funds should be used to assist us with this issue. The \$910 debit card purchase bought new recording equipment we use to record illegal drug buys. The additional \$500 was used to purchase drugs. These transactions were approved by me. In the future transactions from this account will be made by check and we will provide an annual statement for the court.

The sheriff's responsibilities include collecting property taxes, providing law enforcement and performing services for the county fiscal court and courts of justice. The sheriff's office is funded through statutory commissions and fees collected in conjunction with these duties.

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

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