



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2017 financial statement of former Nelson County Sheriff Ed Mattingly. 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 former Nelson County Sheriff in accordance with accounting principles generally accepted in the United States of America. The clerk's financial statement did not follow this format. However, the clerk'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 clerk 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 former Nelson County Sheriff had \$222 of disallowed disbursements from the 2017 fee account: The former Nelson County Sheriff purchased \$222 of Halloween candy with funds from the 2017 fee account, which resulted in a disallowed disbursement. Management oversight resulted in requirements not being followed. The former sheriff is not in compliance with Funk vs. Milliken due to the spending of public funds on Halloween candy, which is considered personal in nature and not necessary for the office. In Funk vs. Milliken, 317 S.W.2d 499 (Ky. 1958), Kentucky's highest court ruled that county fee officials' expenditures of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not

primarily personal in nature. We recommend the former Nelson County Sheriff repay \$222 to the fiscal court as additional excess fees.

Former Sheriff's Response: The Nelson County Justice Center hosted a Halloween Truck or Treat for the community. It involved EMS Fire, Bardstown City Police, etc. It was in the parking lot of the justice center where we are located. It would be disrespectful to the community for one agency not to participate. All the candy from all other agencies were purchased with government funds. I feel that this event was necessary for the office to participate since it was not organized by this agency but rather the whole justice complex. The expenditure is documented with no intent to deceive or hide. It was a reasonable amount considering hundreds of local children participated. It was beneficial to the public to meet personnel from this office and I the elected official was not present for the event. Therefore it did not benefit the Sheriff personally. This should cover Funk vs. Milliken.

The former Nelson County Sheriff lacked segregation of duties: This is a repeat finding and was included in the prior year audit report as Finding 2016-001. Office personnel collected payments from customers and issued receipts. At the end of each day, the former sheriff's bookkeeper prepared the daily checkout sheet from the manual receipts issued for that day. The bookkeeper also prepared the deposit ticket, posted receipts to the receipts ledger, prepared and signed disbursement checks, posted to the disbursements ledger, prepared the monthly bank reconciliations, and prepared the quarterly report. The former sheriff reviewed and initialed all invoices, signed disbursement checks, and reviewed and signed the quarterly reports. Auditors noted errors in disbursements that should have been prevented or detected by properly implemented internal controls. There was not sufficient evidence available that would show that the former sheriff or another employee reviewed checkout sheets, deposits, ledgers, or the bank reconciliations to offset the risk caused by the lack of segregation of duties.

The former sheriff did not have enough funds to hire additional personnel to segregate duties. The lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as Department for Local Government.

Strong internal controls and procedures are vital to ensure proper segregation of duties over collection, reporting, depositing, disbursing, and reconciling receipts and disbursements. If segregation of duties is not possible, effective compensating controls should be put in place, applied consistently, and evidenced.

To adequately protect employees in the normal course of performing their duties, and prevent inaccurate financial reporting or misappropriation of assets, we recommend the sheriff's office implement strong oversight over these areas, either by an employee independent of those functions or by the sheriff, such as:

- The sheriff could compare the daily bank deposit to the daily checkout sheet and then compare to the bank deposit receipt. This should be documented by initialing the bank deposit, daily checkout sheet and bank deposit receipt.

- The sheriff could compare the bank reconciliation to the balance on the bank statement. Any differences should be reconciled. The sheriff could document this by initialing the bank reconciliation.
- The sheriff could compare the monthly receipts and disbursements ledger to the amounts on the quarterly report. This should be documented by initialing the receipts and disbursements ledger.

Former Sheriff's Response: The sheriff did not provide a response.

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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