

**REPORT OF THE AUDIT OF THE
ROWAN COUNTY
SHERIFF**

**For The Year Ended
December 31, 2017**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS	4
NOTES TO FINANCIAL STATEMENT	7
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	15
SCHEDULE OF FINDINGS AND RESPONSES	19

THIS PAGE LEFT BLANK INTENTIONALLY



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Harry Clark, Rowan County Judge/Executive
The Honorable Matt Sparks, Rowan County Sheriff
Members of the Rowan County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Sheriff of Rowan County, Kentucky, for the year ended December 31, 2017, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817

TELEPHONE 502.564.5841
FACSIMILE 502.564.2912

WWW.AUDITOR.KY.GOV

AN EQUAL OPPORTUNITY EMPLOYER M / F / D



The Honorable Harry Clark, Rowan County Judge/Executive
The Honorable Matt Sparks, Rowan County Sheriff
Members of the Rowan County Fiscal Court

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Rowan County Sheriff on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Rowan County Sheriff, as of December 31, 2017, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the Rowan County Sheriff for the year ended December 31, 2017, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2019, on our consideration of the Rowan County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Rowan County Sheriff's internal control over financial reporting and compliance.

The Honorable Harry Clark, Rowan County Judge/Executive
The Honorable Matt Sparks, Rowan County Sheriff
Members of the Rowan County Fiscal Court

Other Reporting Required by *Government Auditing Standards* (Continued)

Based on the results of our audit, we have presented the accompanying Schedule of Findings and Responses, included herein, which discusses the following report comments:

- 2017-001 The Sheriff's Office Has An Internal Control Weakness In Disbursements Of The Asset Forfeiture Account
- 2017-002 The Sheriff's Office Has An Internal Control Weakness In Disbursements And Reporting Of The Sheriff Project Fund

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

January 4, 2019

ROWAN COUNTY
MATT SPARKS, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2017

Receipts

State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)	\$	45,822
State Fees For Services:		
Court Security	\$	144,673
Transporting Prisoners (State)		5,882
Sheriff Security Services		10,313
		160,868
Circuit Court Clerk:		
Fines and Fees Collected		1,011
Fiscal Court		148,963
County Clerk - Delinquent Taxes		22,788
Board of Education - School Resource Officer		40,040
Commission On Taxes Collected		450,805
Fees Collected For Services:		
Auto Inspections		9,000
Accident and Police Reports		965
Serving Papers		24,170
Carry Concealed Deadly Weapon Permits		6,820
		40,955
Other:		
Add-On Fees		31,714
Miscellaneous		770
Telecommunications Tax		5,349
Transporting Prisoners		877
		38,710
Interest Earned		162
Borrowed Money:		
State Advancement		225,000
		225,000
Total Receipts		1,175,124

The accompanying notes are an integral part of this financial statement.

ROWAN COUNTY
MATT SPARKS, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2017
(Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-	
Deputies' Salaries	\$ 365,898
Clerks' Gross Salaries	84,846
Part-Time Salaries	131,000
Overtime Gross Salaries	1,194
Employee Benefits-	
Employer's Share Social Security	55,487
Contracted Services-	
Contract Labor	986
Advertising	519
Materials and Supplies-	
Office Materials and Supplies	8,709
Uniforms	8,163
Auto Expense-	
Maintenance and Repairs	63,929
Other Charges-	
Deputy Testing/Training	510
Conventions and Travel	3,960
Dues	967
Postage	5,991
Cell Phone/Radio/Pager	13,107
Computer Software	9,654
Paper Service to Fiscal Court	5,980
Deputy Expense Prisoner Transport	3,261
Bond	1,165
K-9 Unit (Drug Dog)	1,291
Miscellaneous	348

The accompanying notes are an integral part of this financial statement.

ROWAN COUNTY
MATT SPARKS, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2017
(Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Capital Outlay-	
Office Equipment	\$ 10,952
Vehicle Equipment	<u>6,819</u> \$ 784,736
Debt Service:	
State Advancement	225,000
Vehicle Lease Payments	<u>34,787</u> <u>259,787</u>
Total Disbursements	<u>\$ 1,044,523</u>
Net Receipts	130,601
Less: Statutory Maximum	<u>88,124</u>
Excess Fees	42,477
Less: Training Incentive Benefit	<u>3,038</u>
Excess Fees Due County for 2017	39,439
Payment to Fiscal Court - April 11, 2018	<u>37,052</u>
Balance Due Fiscal Court at Completion of Audit*	<u>\$ 2,387</u>

* - The sheriff presented a check to the fiscal court for excess fees on January 4, 2019.

ROWAN COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2017

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the sheriff as determined by the audit. KRS 134.192 requires the sheriff to settle excess fees with the fiscal court at the time he files his annual settlement with the fiscal court on or before September 1 of each year. KRS 64.830 requires an outgoing sheriff to settle excess fees with the fiscal court of his county by March 15 immediately following the expiration of his term of office.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework. Under this regulatory basis of accounting, receipts and disbursements are generally recognized when cash is received or disbursed, with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2017 services
- Reimbursements for 2017 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2017

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the county treasurer in the subsequent year.

C. Cash and Investments

KRS 66.480 authorizes the sheriff's office to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

ROWAN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2017
(Continued)

Note 2. Employee Retirement System and Other Post-Employment

The county official and employees have elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent of their salary to be allocated as follows: five percent will go to the member's account and one percent will go to the KRS insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous members contribute five percent of their annual creditable compensation and one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008, must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

The county's contribution rate for nonhazardous employees was 18.68 percent for the first six months and 19.18 percent for the last six months.

Hazardous

Hazardous covered employees are required to contribute eight percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute nine percent of their salary to be allocated as follows: eight percent will go to the member's account and one percent will go to the KRS insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Hazardous members contribute eight percent of their annual creditable compensation and one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay

ROWAN COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2017
 (Continued)

Note 2. Employee Retirement System and Other Post-Employment Benefits (Continued)

credit is deposited to the member's account. A hazardous member's account is credited with a seven and one-half percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008, aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

The county's contribution rate for hazardous employees was 31.06 percent for the first six months and 31.55 percent for the last six months.

Health Insurance Coverage

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% Paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

ROWAN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2017
(Continued)

Note 3. Deposits

The Rowan County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the sheriff's deposits may not be returned. The Rowan County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of December 31, 2017, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Kentucky Agency For Substance Abuse Policy (KY-ASAP) Local Funds

The Rowan County Sheriff's office maintains an account for the purpose of receiving funds awarded from the Rowan County Local KY-ASAP Board. The funds are to be used for specific drug enforcement activities. On January 1, 2017, the balance was \$1,200. During calendar year 2017, the account received funds in the amount of \$1000 and no funds were expended. The balance as of December 31, 2017, was \$2,200.

Note 5. Citizens Police Academy Account

The Rowan County Sheriff's office maintains an account for donations made to give citizens a better understanding of law enforcement procedures. On January 1, 2017, the balance was \$485. There was no activity during calendar year 2017, leaving the balance unchanged as of December 31, 2017.

Note 6. Lease Agreements

- A. The Rowan County Sheriff's office was committed to a lease agreement for two vehicles. The agreement requires a monthly payment of \$2,200 for 36 months to be completed in January 2018. The total remaining balance of the agreement was \$0 as of December 31, 2017.
- B. The Rowan County Sheriff's office entered into a loan agreement for three vehicles. The agreement requires a monthly payment of \$932 for 60 months to be completed in March 2022. The total remaining balance of the agreement was \$44,379.

Note 7. Asset Seizure Account

The Rowan County Sheriff's office maintains an account for the purpose of maintaining assets seized during the course of criminal investigations. On January 1, 2017, the balance was \$16,033. During calendar year 2017, the account received seizures of \$1,710 and interest of \$9. Per court orders, the account transferred \$6,356 to the sheriff's asset forfeiture account and returned \$183 to property owners. The balance as of December 31, 2017, was \$11,213.

ROWAN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2017
(Continued)

Note 8. Asset Forfeiture Account

The Rowan County Sheriff's office maintains an account for the purpose of receiving assets forfeited as a result of drug related legal proceedings. On January 1, 2017, the balance was \$61,003. During calendar year 2017, the account received forfeitures of \$7,207, court ordered payments of \$8,837, and interest of \$38. The account expended \$32,460 for direct law enforcement purposes. The balance as of December 31, 2017, was \$44,625.

Note 9. Federal Asset Forfeiture Account

The Rowan County Sheriff's office maintains an account for the purpose of receiving federal assets forfeited as a result of drug related legal proceedings. On January 1, 2017, the balance was \$16,403. During calendar year 2017, the account did not receive any federal forfeitures and interest of \$12. The account did not expend any funds. The balance as of December 31, 2017, was \$16,415.

Note 10. Sheriff's Project Fund

The Rowan County Sheriff's office maintains an account funded by the fiscal court to be used to combat the opioid and meth epidemic and other drug abuse problems. The account was opened in August 2017 with a \$25,000 deposit from the fiscal court. Funds totaling \$1,410 were expended for drug enforcement purposes. The balance as of December 31, 2017, was \$23,590.

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

THIS PAGE LEFT BLANK INTENTIONALLY



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Harry Clark, Rowan County Judge/Executive
The Honorable Matt Sparks, Rowan County Sheriff
Members of the Rowan County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Rowan County Sheriff for the year ended December 31, 2017, and the related notes to the financial statement and have issued our report thereon dated January 4, 2019. The Rowan County Sheriff's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Rowan County Sheriff's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Rowan County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rowan County Sheriff's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control, which are described in the accompanying Schedule of Findings and Responses as items 2017-001 and 2017-002 that we consider to be significant deficiencies.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rowan County Sheriff's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Views of Responsible Official and Planned Corrective Action

The Rowan County Sheriff's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Responses. The Rowan County Sheriff's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

January 4, 2019

SCHEDULE OF FINDINGS AND RESPONSES

THIS PAGE LEFT BLANK INTENTIONALLY

ROWAN COUNTY
MATT SPARKS, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2017

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES:

2017-001 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.

2017-002 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 the 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.

ROWAN COUNTY
MATT SPARKS, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2017
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES: (Continued)

2017-002 The Sheriff's Office Has An Internal Control Weakness In Disbursements And Reporting Of The Sheriff Project Fund (Continued)

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, requires 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.