



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 2020 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 fourth quarter report was materially misstated: The fourth quarter report presented to auditors and to the Department for Local Government (DLG) contained material errors. The fourth quarter report was compared to the bank statement receipts and disbursements and auditors discovered that disbursements in the amount of \$81,951 were not posted to the fourth quarter report. The fourth quarter report was prepared and submitted to DLG on February 10, 2021; however, the disbursements not posted were paid in March 2021.

According to the sheriff, these disbursements were omitted since the invoices were received and paid for after the fourth quarter report was prepared. The invoices were a final payment on items ordered prior to the year-end, and were not to be paid until the sheriff's office received them. Further, the sheriff did not have controls in place to ensure that all disbursements were posted to the fourth quarter report. As a result, the fourth quarter report did not reflect these disbursements. Inaccurate financial records provide misleading information to the users of the information. When the sheriff's financial information is incorrect, the sheriff is unable to submit accurate year-end reports to DLG. Also, while errors can be corrected during the audit, there is typically a significant amount of time that passes before that occurs, which could create budgeting difficulties for fiscal court.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires accurate financial reporting.

We recommend the sheriff implement procedures for ensuring the accuracy of financial information. The fourth quarter report should agree to ledgers and to the bank balance. Receipts and disbursements ledgers should be reconciled to the bank receipts and disbursements on a monthly basis. This would reduce reporting errors.

County Sheriff's Response: The reason this report was misstated was because we had purchased two vehicles in 2020 but had not paid to outfit the vehicles; striping, emergency lighting, radios, etc...until the company doing the work had the equipment needed. Our quarterly report was due prior to the time we paid the company to outfit the cars, so there was no possible way to include these expenses in that report. Since we had purchased the vehicles in 2020 and the vehicles were not complete/usable for us without being outfitted, it was our belief these expenses should be paid from the same account the vehicles had been purchased from.

Auditor's Reply: To assist with future bookkeeping, the quarterly report allows for unpaid outstanding items, like these, to be shown in the Unpaid Obligations 12/31 column.

The sheriff failed to follow bid requirements: The sheriff failed to advertise for bids on two vehicles that he purchased from a vendor in the amount of \$70,230. The sheriff's office adopts the Rowan County Fiscal Court's administrative code which requires bidding for all purchases in excess of \$20,000. According to the sheriff, he preferred to do business locally, especially when they were the lowest quote after he visited three other dealerships. However, the sheriff did not have controls in place to ensure he was complying with bid laws. Since bidding procedures were not followed, it is possible that the sheriff did not get the lowest rate for the vehicles. Strong internal controls require management to monitor disbursements to ensure compliance with bid laws, and to keep good records of bid transactions.

KRS 424.260(1) states in part, "[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for materials, supplies except perishable meat, fish, and vegetables, equipment, or for

contractual services other than professional, involving an expenditure of more than thirty thousand dollars (\$30,000) without first making newspaper advertisement for bids[.]”

In addition, KRS 424.260(2) states “[i]f the fiscal court requires the sheriff or county clerk advertise for bids on expenditures of less than thirty thousand dollars (\$30,000), the fiscal court requirement shall prevail.” The Rowan County Fiscal Court’s administrative code requires bids on purchases exceeding \$20,000.

We recommend the sheriff monitor all disbursements to ensure that bidding procedures are followed for all qualifying disbursements.

County Sheriff’s Response: We did not follow bid requirements but did compare pricing to make certain we were giving a fair price for the purchases. Due to mechanical issues with our current fleet, we found ourselves in urgent need of vehicles. I personally drove to three other auto dealerships and got price quotes for the type of vehicles we were interested in. I also looked online for price comparisons. Our local dealer was approximately \$1,500 less expensive than any other dealer. Due to the difficulty of getting vehicles in a timely manner last year, the fact that we service our vehicles locally and this dealership was the only one in our county who sells new [brand name redacted] vehicles, I made the decision to purchase the vehicles without taking bids. I will not make these type of purchase in the future without following bid requirements.

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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