



Auditor of Public Accounts
Mike Harmon

FOR IMMEDIATE RELEASE

Contact: Michael Goins
Michael.Goins@ky.gov
502.564.5841
502.209.2867

Harmon Releases Audit of Boyd County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2018 taxes for Boyd County Sheriff Bobby Jack Woods. 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 sheriff's settlement presents fairly the taxes charged, credited and paid in accordance with accounting principles generally accepted in the United States of America. The sheriff's settlement is prepared on the regulatory basis, which is described in the auditor's opinion letter. Regulatory basis reporting for the sheriff's settlement is an acceptable reporting methodology, and this reporting methodology is followed for all 120 sheriff settlements in Kentucky.

The sheriff's financial statement fairly presents the taxes charged, credited and paid for the period April 17, 2018 through April 15, 2019 in conformity with the regulatory basis of accounting.

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 did not settle the prior year accounts or escrow outstanding checks: This is a repeat finding and was included in the prior year audit report as Finding 2017-001. The 2017, 2016, and the 2015 accounts do not appear to have been settled in accordance with the exit conferences. The receivables and liabilities necessary to settle the accounts are as follows:

2017 Tax Audit:

The 2017 tax account has a balance of \$2,096.55. Once the sheriff escrows outstanding checks of \$1,042.19 there will be an unexplained fund surplus of \$1,054.36 that needs to be paid to the fiscal court.

2016 Tax Audit:

The 2016 tax account has a balance of \$7,394.29. Once the sheriff pays the liabilities of \$4,976.01, fund surplus of \$2,404.00 and remits the uncleared outstanding check of \$14.28 to the state as abandoned, the balance will be zero and the account settled.

<i>Due from Sheriff</i>	<i>Due to:</i>
\$ 20.21	Boyd County Fiscal Court
10.68	Russell School
5.15	Westwood Fire Department
2,460.21	East Fork Fire Department
573.29	Sprint Wireless
253.13	Boyd County School
1,653.34	Sheriff's Fee Account
\$ 4,976.01	Total Liabilities

2015 Tax Audit:

The 2015 tax account has a balance of \$9,165.32. Once the sheriff pays the liabilities of \$9,165.32, the balance will be zero and the account settled.

<i>Due from Sheriff</i>	<i>Due to:</i>
\$ 1,371.67	Cannonsburg Fire
28.72	Big Sandy Fire
227.69	Boyd County Schools
8.32	Russell School
3.88	Kentucky State Treasurer
6,256.65	Sheriff's Fee Account
1,268.39	Fiscal Court
\$ 9,165.32	Total Liabilities

The 2015, 2016 and the 2017 tax accounts are eligible to be transferred to the state as abandoned property according to KRS 393.090 and KRS 393.110. According to the sheriff, they are unsure how to go about settling these accounts. As a result, taxing districts did not receive the total amount due to them as determined by the audit. The sheriff should follow KRS 393.090 which states that after three years, if the funds have not been claimed, they are presumed abandoned and abandoned funds are required to be sent to the Kentucky State Treasurer by KRS 393.110. As a reminder, any amounts owed to and from taxing districts should be paid or collected prior to escheating balances to the state per KRS. We recommend the sheriff settle these prior year accounts as soon as possible.

County Sheriff's Response: The official did not provide a response.

The sheriff's office does not have adequate segregation of duties: This is a repeat finding and was included in the prior year audit report as Finding 2017-003. The sheriff's office does not have adequate segregation of duties over receipts. The bookkeeper collected payments from customers, recorded transactions in the ledgers, and reconciled the bank accounts.

The sheriff did not structure his office in a way that segregates duties and responsibilities. No one reviewed the work of the bookkeeper and there are no compensating controls in place. Inadequate segregation of duties allows one person to have a significant role in processing and recording receipts which would increase the risk that undetected misappropriation of assets and inaccurate financial reporting will occur.

Internal control duties should be segregated to decrease the risk of misappropriation of assets, errors, and inaccurate financial reporting to external agencies. Although the sheriff has implemented some compensating controls such as comparing the daily checkout sheet to the receipts ledger and the bank deposit, these controls were frequently not documented, therefore we cannot verify they are consistently occurring. However, compensating controls do decrease the risk present in the absence of proper segregation of duties.

We recommend the same person not perform multiple accounting functions, and if the duties cannot be segregated, then the sheriff should perform the following compensating controls to help offset this weakness:

- Agree monthly tax reports to receipts ledger and disbursements ledger.
- Review the monthly bank reconciliation.

The sheriff should initial these documents as proof of his review.

County Sheriff's Response: The official 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](#).

###

The Auditor of Public Accounts ensures that public resources are protected, accurately valued, properly accounted for, and effectively employed to raise the quality of life of Kentuckians.

Call 1-800-KY-ALERT or visit our website to report suspected waste and abuse.

