



Auditor of Public Accounts
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Harmon Releases Audit of Floyd County Sheriff's Office

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2016 financial statement of Floyd County Sheriff John Hunt. 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 Floyd 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 internal control over financial operations and reporting.

The audit contains the following comment:

The sheriff did not properly process health insurance withholding transactions: The sheriff did not properly process health insurance withholding transactions. During the year, the bookkeeper would issue a check to the payroll clearing account for the amount of the gross payroll. The amount to be withheld from employees for health insurance would be transferred from the payroll clearing account and deposited back into the fee account. This amount would then be posted to an account titled health insurance reimbursement. When the invoice for health insurance was received, the bookkeeper would add the sheriff's portion and the employees' portion that was transferred back from the payroll clearing account to pay the amount due for health insurance. The

sheriff's procedures for processing health insurance withholding transactions are not properly designed. This process overstates the receipts ledger.

KRS 68.210 grants the Kentucky State Local Finance Officer the authority to prescribe the accounting records to be maintained by the sheriff's office. KRS 68.210 requires the sheriff to maintain ledgers that are accurate, complete, and properly classified. Only original transactions should be posted to the ledgers. Transfers should only occur to correct errors and should not be recorded as receipts. To properly process employee health insurance withholding transactions, the following procedures are recommended: First, pay to the payroll clearing account the amount of the gross salaries. Second, pay the sheriff's portion of the health insurance premium due to the payroll clearing account. Finally, pay the total health insurance premium due from the payroll clearing account.

We recommend the sheriff comply with KRS 68.210 and follow the procedures outlined above to properly process employee health insurance withholding transactions.

Sheriff's Response: During the 2015 audit this was discovered and corrected at that time.

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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