



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2016 financial statement of 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 financial statement presents fairly the receipts, disbursements, and excess fees of the Boyd 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 not accurate: This is a repeat finding and was included in the prior year report as Finding 2015-001. The sheriff's fourth quarter financial report was not accurate and required numerous adjustments. The bookkeeper made several errors when classifying items on her receipts ledger and when carrying items over from the receipts ledger to the quarterly financial reports. The bookkeeper does not keep any record of what items from her ledger make up her quarterly report line items. The sheriff did not have procedures in place to ensure accurate posting on the sheriff's fourth quarter report. As a result, the sheriff's quarterly report submitted to the Department for Local Government (DLG) was inaccurate. Furthermore,

because there is no record of how the bookkeeper calculated her numbers for the quarterly report, auditors had to recommend numerous adjustments to correct the financial statement. The Uniform System of Accounts, adopted under KRS 68.210, requires the sheriff to prepare a quarterly report which includes all receipts and disbursements the sheriff collected and paid during the calendar year. We recommend the sheriff ensure that the quarterly reports are accurate in the future. We also recommend that the sheriff's office keep a record of how line items on the quarterly trace to the ledger and to reconcile these numbers regularly.

Sheriff's Response: Policies have already been put in place to correct this problem. New lines are being placed on the quarterly to reflect proper columns.

The sheriff's office lacks adequate segregation of duties: This is a repeat comment and was included in the prior year report as Finding 2015-002. The sheriff's bookkeeper collects payments from customers, records transactions in the ledgers, prepares deposits, and reconciles the bank account. According to the sheriff, the lack of adequate segregation of duties within the sheriff's office was the result of limited staff size which prevented the sheriff from segregating accounting duties to different individuals within the sheriff's office. Inadequate segregation of duties allows for one person to have a significant role in processing and recording receipts and disbursements, which would increase the risk that the misappropriation of assets and inaccurate financial reporting will occur and be undetected. Internal control duties should be segregated to decrease the risk of misappropriation of assets, errors, and inaccurate financial reporting to external agencies. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. Although the sheriff had implemented some compensating controls such as comparing the daily checkout sheet to the receipts ledger and the bank deposit, these controls did not eliminate the lack of adequate segregation of duties. We recommend the sheriff separate the duties involved in receiving cash, preparing deposits, writing checks, posting to ledgers, preparing monthly bank reconciliations, and comparing financial reports to ledgers. If this is not feasible, cross-checking procedures should be implemented and documented by the individual performing the procedure.

Sheriff's Response: No 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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