



Auditor of Public Accounts  
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**FOR IMMEDIATE RELEASE**

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### **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 – 2017 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 18, 2017 through April 16, 2018 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 prior year accounts:** The 2016, 2015, and 2014-incoming tax accounts do not appear to have been settled in accordance with prior year audit recommendations. The receivables and liabilities necessary to settle the accounts are as follows:

## 2016 Tax Audit

The 2016 tax account has a balance of \$4,027.54. Once the sheriff collects the receivables of \$3,352.94 and pays the liabilities of \$4,976.01, fund surplus of \$2,390.19 and uncleared outstanding check of \$14.28, the balance will be zero and the account settled.

<i>Due to Sheriff</i>			<i>Due from Sheriff</i>	
\$722.89	Fairview School		\$20.21	Boyd County Fiscal Court
\$65.04	Library		\$10.68	Russell School
\$32.57	Health		\$5.15	Westwood Fire Department
\$21.52	Extension		\$2,460.21	East Fork Fire Department
\$42.30	Ambulance		\$573.29	Sprint Wireless
\$2,468.62	England Hill VFD		\$253.13	Boyd County School
			\$1,653.34	Sheriff's Fee Account
<b>\$3,352.94</b>	<b>Total Receivables</b>		<b>\$4,976.01</b>	<b>Total Liabilities</b>

## 2015 Tax Audit

The 2015 tax account has a balance of \$6,576.44. Once the sheriff collects the receivables of \$2,573.51 and pays the liabilities of \$9,149.95, the balance will be zero and the account settled.

<i>Due to Sheriff</i>			<i>Due from Sheriff</i>	
\$46.65	Fiscal Court		\$1,371.67	Cannonsburg Fire
\$1,063.53	Fairview School		\$28.72	Big Sandy Fire
\$1,463.33	England Hill Fire		\$227.69	Boyd County Schools
			\$8.32	Russell School
			\$6,256.65	Sheriff's Fee Account
			\$1,256.90	Kentucky State Treasurer
<b>\$2,573.51</b>	<b>Total Receivables</b>		<b>\$9,149.95</b>	<b>Total Liabilities</b>

## 2014 Tax Audit (Incoming)

The 2014 incoming tax account has a balance of \$0. Once the sheriff collects the receivable of \$1,972.91 from the Boyd County Fiscal Court and pays the liability of \$1,972.91 to the Kentucky State Treasurer, the balance will be zero and the account settled.

As a result of not settling these accounts, districts are not receiving funds due to them. Additionally, the sheriff is not in compliance with KRS 134.192, which requires each sheriff to annually settle tax accounts on or before September 1 of each year. We recommend the sheriff's office comply with KRS 134.192 by settling these accounts as soon as possible.

*Sheriff's Response: Accounts are being settled and will be closed upon settlement.*

**The sheriff did not report and pay monthly taxes to districts timely:** The sheriff's monthly tax reports and payments for November and December franchise taxes and January and February gas property taxes were late, depriving the taxing districts of timely receipt of their tax collections. For the November and December franchise payments, checks were written on January 31, 2018, and cleared between February 13 and March 27, 2018. For the January and February gas property tax payments, checks were written on May 31, 2018, and cleared the bank between August 7 and September 4, 2018. According to the bookkeeper, this was an oversight on her part. The sheriff is not ensuring his office is complying with the requirement to report and pay taxes collected to districts by the 10th of each month. Taxing districts rely on tax collections to fund a significant portion of their budgeted services. Not receiving these payments timely can lead to cash flow problems for taxing districts. While the sheriff cannot control when districts deposit their checks, he can control when he distributes the checks.

KRS 134.191 requires the sheriff to provide monthly reports by the tenth day of each month. KRS 134.191(3) states, "[a]ny sheriff failing to pay over taxes collected shall be subject to a penalty of one percent (1%) for each thirty (30) day period or fraction thereof that the payment is not made, plus interest...The governing body of a county, the department, or the other taxing district for which the sheriff collects taxes, in its settlement with the sheriff, shall charge him or her with such penalties and interest." KRS 134.191(5) allows the county judge/executive to grant an extension of time, not to exceed fifteen (15) days, for filing the monthly reports. Penalties and interest would be suspended during an extension, but would apply at the expiration of the extension.

We recommend the sheriff ensure monthly tax reports are prepared and paid by the 10th of each month. We also recommend the sheriff consider mailing tax collection payments to the districts. As long as the payments are postmarked by the 10th of the month, the sheriff would be in compliance with KRS 134.191. This would also give the districts a more consistent timeframe in which to expect their payments.

*Sheriff's Response: The sheriff did not provide a response.*

**The sheriff's office lacks adequate segregation of duties:** This is a repeat finding and was included in the prior year audit report as Finding 2016-001. The sheriff's office lacks 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, 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.

*Sheriff's Response: With only 3 employees in the office segregation of duties is always going to be an issue.*

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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