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October 8, 2010

To the Board of Trustees of  
Boyd County Public Library District  
Ashland, Kentucky

In planning and performing our audit of the financial statement of the Boyd County Public Library District (the "Library") for the year ended June 30, 2010, we considered the Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the Library's internal control in our report dated October 8, 2010. This letter does not affect our report dated October 8, 2010, on the financial statement of the Library.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Library personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

#### Quarterly 941s

The Library uses a system generated report to complete the quarterly 941s. We noted that for the 2<sup>nd</sup> Quarter, the information on the report was not completely accurate, resulting in over reporting of federal wages paid to employees being reported to the Internal Revenue Service. In order to ensure compliance with federal reporting agencies and to avoid any penalties for misreporting, the system generated report should be reviewed for accuracy and reasonableness when completing the 941 report.

#### Bank Reconciliations

When reviewing the bank reconciliations, we noted a difference existed between the book balance on the reconciliation and the general ledger balance. To ensure balances are properly reported and reconciled, any discrepancies noted between the balances should be promptly investigated and resolved.

#### Agency Fund

The Library has assumed the role of fiscal agent for the Eastern KY Library Director and Staff Retreats in which the Library receives the fees associated with the retreats and pays for the

related expenses. We noted that the activity for these retreats was recorded in miscellaneous income. To ensure proper monitoring and maintenance of these funds, separate income and expense accounts should be utilized. Also, a separate checking account should be considered.

#### Cash Disbursements

Board Members review invoices for approval before signing checks. However, this procedure is not properly documented. To reduce the risk of unapproved invoices being paid, Board minutes should include a listing of the checks approved.

We wish to thank the Director and her Administrative Assistant for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Trustees, management of the Library, and the Kentucky Department of Libraries and Archives and is not intended to be and should not be used by anyone other than these specified parties.

*Kelley, Galloway & Company, PSC*

October 8, 2010