



Auditor of Public Accounts
Mike Harmon

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

Harmon Releases Audit of Carlisle County Clerk's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2020 financial statement of Carlisle County Clerk Becky Martin. State law requires the auditor to conduct annual audits of county clerks and sheriffs.

Auditing standards require the auditor's letter to communicate whether the financial statement presents fairly the receipts, disbursements and excess fees of the Carlisle County Clerk in accordance with accounting principles generally accepted in the United States of America. The clerk's financial statement did not follow this format. However, the clerk'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 clerk 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 Carlisle County Clerk failed to reconcile the fourth quarter financial report to bank records: The Carlisle County Clerk's fourth quarter financial report was not complete and accurate. Receipts reported on the fourth quarter financial report were understated by \$24,392. Three of the five daily checkout sheets tested during February 2020 were not posted to the county clerk's receipts ledger. Receipts for these three days total \$19,286. Several canceled checks and ACH payments were not posted to the ledger. Disbursements reported on the fourth quarter financial report were understated by \$30,504. The county clerk has not implemented any internal control procedures to ensure amounts being recorded are reconciled to the bank. As a result of not reconciling the books to the bank, the county clerk's fourth quarter financial report was understated

and did not reflect an accurate financial accounting of the county clerk's office as reported to the Department for Local Government (DLG), fiscal court, and other administrative bodies.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The DLG's *County Budget Preparation and State Local Finance Officer Policy Manual* requires officials to perform monthly bank reconciliations to ensure accurate financial reporting. Also, monthly bank reconciliations are essential in providing protection from errors not being detected and corrected.

We recommend the Carlisle County Clerk implement internal controls over the accounting process to ensure that accurate receipts and disbursements ledgers are reconciled to the bank and agree to amounts reported on the fourth quarter financial report.

County Clerk's Response: We will try to improve our efforts at reconciliation of bank statements by multiple parties checking the numbers and will achieve this by monthly meetings between clerk and the bookkeeper.

Payroll expenses for calendar year 2020 were not adequately supported: The county clerk's payroll expenses for the calendar year were not adequately supported. Half of the employees tested did not maintain timesheets and no timesheets were approved by a supervisor. Based on test procedures, timesheets are not used to prepare payroll reports and seem to only be maintained to keep track of any overtime hours worked. If an employee works overtime during a pay period, they are compensated the first pay period of the following month. The county clerk's payroll reports are prepared by the county treasurer at the beginning of each month. These reports are based on each employee working their normal work schedule unless overtime was worked in the previous month. The county clerk distributes payroll on a bi-monthly basis by dividing the amount reported on the payroll register by two. The county clerk did not comply with state regulations resulting in ineffective internal controls over payroll which increases the risk of misappropriation or fraud related to payroll expenses.

According to KRS 337.320(1) states, in part, "[e]very employer shall keep a record of...(b) The hours worked each day and each week by each employee[.] Strong internal controls dictate that procedures be in place to ensure that employees are properly compensated based on actual hours worked.

We recommend the county clerk require all employee to maintain a timesheet, all timesheets be approved, and reported prior to processing payroll reports.

County Clerk's Response: This was not a normal year and as a result, we had additional funds given to my office as a result of COVID to offset additional help required to conduct an election and we do not think we will have this particular problem in the future.

Auditor's Reply: Timesheets were not maintained by all employees, approved by immediate supervisor or being submitted for payroll processing. This issue is not related to the situation caused by COVID.

The Carlisle County Clerk overspent the approved budget: The Carlisle County Clerk's operating expenditures exceeded the budget approved by the Carlisle County Fiscal Court. The Carlisle County Fiscal Court approved the county clerk's budget for official expenses at \$99,450; however, the county clerk expended \$115,714. According to the county clerk, the budget was overspent due to receiving and expending CARES money from the State Board of Elections. An amended budget was approved by fiscal court in February 2021. Because the county clerk overspent the approved budget, the fiscal court received less in excess fees than expected.

The state local finance officer requires the fiscal court to approve a calendar year budget for each fee office as a component of the county's budget preparation process by January 15 of each year. KRS 68.210 states that the administration of the county uniform budget system shall be under the supervision of the state local finance officer who may inspect and shall supervise the administration of accounts and financial operations and shall prescribe a system of uniform accounts for all counties and county officials.

We recommend the Carlisle County Clerk monitor the budget throughout the year and request budget amendments as necessary from the fiscal court, before year end.

County Clerk's Response: Better bookkeeping and record keeping should correct this problem and hopefully moving forward we will make improvement.

The county clerk's responsibilities include collecting certain taxes, issuing licenses, maintaining county records and providing other services. The clerk's office is funded through statutory fees collected in conjunction with these duties.

The audit report can be found on the [auditor's website](#).

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