



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 Edmonson County Clerk's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2020 financial statement of Edmonson County Clerk Kevin Alexander. 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 Edmonson 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 Edmonson County Clerk's Office lacks adequate segregation of duties: This is a repeat finding and was included in the prior year audit report as Finding 2019-001. The county clerk's office lacks segregation of duties over cash, receipts, disbursements, and the reconciliation process. The county clerk collects receipts, prepares deposits and daily checkout sheets, prints and signs checks, and prepares reports. He also posts to the ledgers and reconciles the bank statements. According to the county clerk, this condition is a result of a limited budget, which restricts the number of employees the county clerk can hire or delegate duties to.

The lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies, such as the Department for Local Government (DLG). The

segregation of duties over various accounting functions such as preparing deposits, preparing daily checkout sheets, and issuance of cash receipts, is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the county clerk implement adequate segregation of duties to prevent the same person from having a significant role in the receiving process, recording, and reporting of receipts and disbursements. If this is not feasible, due to a limited budget, cross checking procedures could be implemented and documented by the individual performing the procedure.

County Clerk's Response: As I have stated in every audit conducted on the Edmonson County Clerk's office books since I became County Clerk in 2015, both Deputy Clerk [name redacted] and I perform all daily deposits, as well as the printing of all daily reports and data reporting into [software name redacted]. Due to having a small staff, finding the adequate amount of time to train other employees is not feasible. We will continue to have dual check-signing measures, extra documentation on refunds, mail log verification, multiple report reviews, and increased oversight on all voided transactions.

The Edmonson County Clerk's Office did not handle delinquent tax sale funds properly: During calendar year 2020, the clerk's office received delinquent tax sale deposits in the amount of \$91,370 in advance of the delinquent tax sale. These funds were held and not deposited timely. The county clerk's office did not handle this payment properly per 103 KAR 5:180. It was deposited on the day of the tax sale. Two checks totaling \$5,200 were given back to the customers and new checks totaling \$863 were given to pay for delinquent tax bills. This was because the county clerk was matching deposits with the receipts of the delinquent tax sale in the delinquent tax software. Because of the aforementioned finding, receipts were left vulnerable to misappropriation and loss.

Strong internal controls over the collection of receipts are vital in ensuring that receipts are accounted for properly. KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* require that deposits be made daily intact.

We recommend the county clerk's office deposit all the receipts collected into the bank account daily to ensure compliance with DLG's *County Budget Preparation & State Local Finance Officer Policy Manual*.

County Clerk's Response: 2020 was a year of survival. Quite honestly, the only reason for not depositing the checks earlier had to have been because of the overwhelming amount of work being conducted by our office as a result of the election changes that were imposed upon our offices. Although the funds were held and not deposited properly, no fraud was intended. All monies balanced. It was likely an oversight due to being so busy with early preparation for the General Election.

This year, monies were deposited as they were received – priority bills, deposit monies, and registration fees. Each were uniquely identified in [software name redacted] as well. I am pleased and certain it was performed as you all would want. Refunds were issued and payments for purchases were made from deposit vouchers. Receipts of all are on file.

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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