



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 Livingston County Clerk's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2016 financial statement of Livingston County Clerk Sonya Williams. 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 Livingston 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 internal control over financial operations and reporting.

The audit contains the following comments:

The county clerk overspent the maximum salary limit fixed by the fiscal court. The county clerk overspent her maximum salary limitation as fixed by the fiscal court by \$3,561. The Livingston County Fiscal Court fixed the deputies' maximum salary limitation at \$133,120; however, the county clerk expended \$136,681. This was allowed to occur because the county clerk did not properly monitor payroll costs. By overspending the salary limit fixed by the fiscal court, the county clerk was not in compliance with KRS 64.530(3) and denied the county an additional \$8,601 of excess fees.

KRS 64.530(3) states, in part, "[t]he fiscal court shall fix annually the reasonable maximum amount, including fringe benefits, which the officer may expend for deputies and assistants, and

allow the officer to determine the number to be hired and the individual compensation of each deputy and assistant.”

We recommend the county clerk monitor her payroll disbursements during the year and obtain any necessary amendments to the maximum salary limitation fixed by the fiscal court before the calendar year end.

County Clerk's response: In this finding, it was noted the county clerk overspent the maximum salary limit fixed by the fiscal court. This is an accurate finding. The county clerk did not accurately predict overtime worked by the deputies for the 2016 calendar year. Some, but not all, of the overtime accrued can be accounted for on the two election seasons for this particular year.

This finding will be improved upon by adding a slight percent increase when figuring the deputies' salaries for each year's new budget. The county clerk has a year to year spreadsheet that aids in figuring the deputies' new salaries. In the future, when editing the new proposed salaries, a column will be added to the already set formulas, that will add a small percent increase to assist in determining overtime. Another way to improve upon this finding will be to better monitor the budget throughout the year by observing the line item containing the deputies' salaries, to ensure it has not surpassed the proposed amount. If this should occur, the budget will be amended and presented to the fiscal court for approval.

The county clerk had disallowed overdraft charges of \$35. The county clerk transferred \$35 from the 2016 account to cover insufficient funds bank charges in the 2015 account and failed to repay the 2016 fee account. The county clerk did not properly account for outstanding checks at year end, but rather transferred these funds to the fiscal court as excess fees paid. One of the outstanding checks subsequently cleared the bank after excess fees had been paid to the fiscal court, causing an overdraft fee of \$35 to be charged to the county clerk's 2015 fee account. The county clerk used 2016 funds to pay the 2015 fee account overdraft. The amount paid to the fiscal court for 2016 excess fees was shorted by \$35.

In accordance with Funk vs. Milliken, 317 S.W.2d 499 (Ky. 1958), Kentucky's highest court ruled that county fee officials' disbursements of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not primarily personal in nature.

We recommend the county clerk repay \$35 from her personal funds to the fiscal court.

County Clerk's response: The county clerk transferred \$35.00 from the 2016 general fee account to the 2015 general fee account to pay the bank service charge fee for being overdrawn. This occurred because a taxing district cashed their tangible tax check two months after it being issued in December 2015, after excess fees had been submitted to fiscal court and the account had been zeroed out.

In order to rectify this finding, the county clerk will repay \$35.00 of personal funds to the fiscal court.

The county clerk lacks adequate segregation of duties. This is a repeat finding and was included in the prior year audit report as Finding 2015-002. The Livingston County Clerk prepares daily

deposits, prepares and signs checks, posts to receipts and disbursements ledgers, prepares monthly bank reconciliations, prepares quarterly reports, and occasionally collects cash from customers. According to the county clerk, she prefers to be responsible for these processes since she is ultimately liable for the activity of the county clerk's office.

Due to the lack of independent review, the following issues were noted:

- The county clerk's 2016 final settlement was not approved until March 28, 2017.
- State and fiscal court payments are improperly posted as miscellaneous revenues.
- 2016 fee account funds of \$49,600 were transferred to the 2015 account to cover a reconciliation error and then later returned.
- 2016 funds of \$285 were used to cover a 2015 account deficit due to an outstanding check that was treated as a void rather than escrowed.
- The county clerk failed to remit a delinquent tax payment of \$708 to the state for July 2016 delinquent tax collections.

A proper segregation of duties is essential for providing protection from undetected errors. Additionally, a proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the county clerk separate the duties involved in writing checks, posting to the receipts and disbursements ledgers, preparing monthly bank reconciliations, and preparing quarterly reports. We recommend the clerk implement procedures to reduce year-end reconciliation errors.

County Clerk's response: In this finding, it was noted the final settlement was not approved until March 28, 2017. Though true, this occurred due to an unforeseen circumstance. A taxing district cashed a December 2015 tangible tax check several weeks into the new year of 2016. At that time, the excess fees from the clerk's office had already been turned over to the fiscal court, therefore, turning the zero balance of the clerk's general fee account from a zero to a negative balance of \$285.00. At the next fiscal court meeting, the negative amount applied to the overdrawn clerk's account was requested and approved by the fiscal court. At the next month's fiscal court meeting on March 28, 2017 the clerk's final budget was approved.

In order to improve upon this finding, an ESCROW account has been opened to allow outstanding checks at the end of each fiscal year to be escrowed. By adding this account, it will eliminate future occurrences such as the one described above.

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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