



Auditor of Public Accounts
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Harmon Releases Audit of Livingston County Clerk's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2018 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 the internal control over financial operations and reporting.

The audit contains the following comments:

The Livingston County Clerk had \$198 of disallowed expenditures: This is a repeat finding and was included in the prior year report as Finding 2017-001. The county clerk had \$90 disbursed from the 2018 fee account to cover 2017 disallowed expenditures. In addition, the clerk's fish and game account had \$108 of overdraft fees during 2018.

Due to an oversight by the clerk, the \$90 due from her personal funds were never deposited into her fee account. Therefore, when settling with the fiscal court for 2017, the 2018 fee account paid for the 2017 disallowed expenditures. In addition, internal control deficiencies resulted in the clerk's fish and game account being overdrawn and charged \$108 in overdraft fees. Because late

fees and overdraft fees are not considered necessary or beneficial to the public, the Livingston County Clerk is not in compliance with Funk v. Milliken, therefore, the fees are disallowed.

Strong internal controls are essential to ensuring receipts and disbursements are accounted for properly. Strong internal controls help to prevent or detect misstatements due to error, as well as protect against misappropriation of assets. In Funk v. 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 \$198 from personal funds to fiscal court to cover 2017 disallowed expenditures paid by the 2018 fee account and bank charges charged to the fish and game account.

County Clerk's Response: The County Clerk will pay \$198 to the Livingston County Fiscal Court from personal funds to cover the 2017 disallowed expenditures paid by the 2018 fee account and bank charges charged to the fish and game account.

The Livingston County Clerk's Office lacks adequate segregation of duties: This is a repeat finding and was included in the prior year report as Finding 2017-002. The Livingston County Clerk's Office lacks adequate segregation of duties. The clerk prepares daily checkout sheets, prepares deposits, takes the deposit to the bank, prepares and signs checks, posts to the receipts and disbursements ledgers, performs monthly bank reconciliations, and prepares quarterly reports.

According to the clerk, rather than segregate the duties noted above, she chooses to complete these duties herself because she feels that she is responsible for these duties since she is ultimately liable for the activity of the clerk's office. A lack of segregation of duties or strong oversight increases the risk of undetected errors.

The segregation of duties, or the implementation of compensating controls, over various accounting functions such as preparing deposits, recording receipts and disbursements, and preparing monthly reports 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.

To adequately protect employees in the normal course of performing their duties, and prevent inaccurate financial reporting or misappropriation of assets, we recommend the clerk separate the duties noted above. If this is not feasible, the clerk should continue using strong management oversight and the compensating controls already in place. We also recommend the clerk's office to review all monthly bank reconciliations by documenting the comparison of bank reconciliations and any adjustments that are made as a result of the comparison.

County Clerk's Response: The Livingston County Clerk's Office employs a small staff creating difficulty for an entirety of segregation of duties. At present, the county clerk prepares daily checkout sheets with a deputy clerk reviewing and initialing as well as prepares daily deposits with a separate deputy clerk performing the same duties. All staff members along with the county

clerk prepare and sign checks with a two signature minimum as a compensating control. Though the clerk posts receipts and disbursement ledgers daily, line items such as recording fees, motor vehicle & boat ad valorem, usage tax, deed tax, lien fees, and fish and game fees are reviewed daily, weekly, and monthly with various deputy clerks responsible for collecting those individual items, ensuring that totals collected match in all available reports. In the future, compensating controls can be improved upon regarding monthly bank reconciliations and quarterly reports by separate deputy clerks performing reconciliation of both and the clerk reviewing them. As it is the county clerk's duty to be liable for the activity within the office, it is the ultimate goal to receive and disburse county finances responsibly and continue to do the best for the citizens of Livingston County.

Auditor Reply: The compensating controls mentioned by the county clerk are not effective because the clerk is directly performing some of the functions. Subordinate employees do not have the ability to adequately monitor and address functions performed by their supervisor.

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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