



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2017 financial statement of Menifee County Clerk Brenda Carty. 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 Menifee 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's office lacks adequate segregation of duties: This is a repeat finding and was included in the prior year audit report as Finding 2016-001. The county clerk's office lacks adequate segregation of duties. All employees of the county clerk's office collect receipts. Also, the county clerk and all deputy clerks can prepare daily checkout sheets, bank deposits, and post items to the receipts ledger. The county clerk and all deputy clerks can prepare and record disbursements, and the county clerk reconciles the bank account.

According to the county clerk, this was caused by a limited budget which restricts the number of employees that the county clerk can delegate duties to. This all increases the risk of misappropriation of assets and inaccurate financial reporting to external agencies.

Good internal controls dictate that the collections of receipts, recording of transactions, and bank reconciliation duties be segregated. If segregation of duties is not feasible, compensating controls should be implemented.

We recommend the county clerk implement the following procedures to strengthen controls:

- An employee independent of the cashier functions should be appointed to open mail and prepare a receipts list.
- The employee responsible for bookkeeping functions, bank reconciliations, and comparing mail receipts to deposit slips should not have access to cash.
- Employees authorized to sign checks should be independent of report preparation, approval of payments, and purchasing and receiving.

County Clerk's Response: I have tried to comply with this issue by having 2 deputies sign checks, but with only myself and 2 full time deputies I cannot do anything more.

The county clerk lacks adequate controls over payroll: The county clerk's office lacks adequate internal controls over payroll, specifically over timesheets, leave balances, and retirement withholdings.

- Timesheets were not maintained for full-time employees.
- Leave balances were not maintained for full-time employees.
- Two employees were not paid overtime for working elections, but rather a lump-sum payment.
- Retirement was not withheld for lump-sum payments for working elections.
- Retirement was not withheld from vacation time used.

The county clerk stated that those employees are salaried and she is not required to maintain timesheets or leave balances for salaried employees. The county clerk also stated that this is the way it has always been done. As a result, the county clerk is susceptible to disputes between herself and her employees regarding payroll and leave time used. Also, the county clerk is in violation of laws and regulations regarding payroll procedures.

KRS 337.320(1) states, “[e]very employer shall keep a record of: (a) [t]he amount paid each pay period to each employee; [and] (b) [t]he hours worked each day and each week by each employee[.]” Also, good internal controls require that timesheets be signed by both the employee and the supervisor. Maintaining vacation and sick leave balances is vital to ensure employees are receiving the time they are due and that they are using leave time earned in accordance with county and office policies. Hours on employees’ timesheets must match hours on employees’ earnings record and pay stubs.

KRS 337.285 outlines the requirements for overtime compensation, which state employees must be compensated at time and a half for hours worked in excess of forty in one week. Employees who work over 40 hours per week are required to be paid overtime wages in the amount of one and one half times the hourly rate. However, hourly employees who work more hours than the

prescribed work week, but less than 40 hours, are entitled to payment of wages on an hour-for-hour basis.

KRS 78.510 defines retirement wages to include all salary, wages, payments for compensatory time, and lump-sum payments.

We recommend the county clerk strengthen controls over the payroll process. The county clerk should ensure compliance with the applicable laws and regulations and ensure timesheets are properly maintained and signed by employees and supervisors. Employees should be paid properly for overtime worked and not paid lump-sum payments. Further, all wages (including overtime and vacation leave) should have retirement withheld.

County Clerk's Response: Now that I have the facts on what is needed I will make sure that I make the changes needed to be in compliance.

The county clerk did not distribute ad valorem taxes in accordance with KRS 134.815: This is an unresolved issue from the prior year. The county clerk distributed ad valorem taxes to the state, county, city, school, and special taxing districts on a monthly basis as required by statute. For the month of August 2016, the county clerk failed to retain her commission and paid it along with the ad valorem taxes due to the taxing districts.

The county clerk made a mistake that was not detected. The taxing districts were overpaid ad valorem taxes, and the clerk did not receive the proper amount of commission. The amounts of overpayments to the districts were as follows:

State	\$ 2.04
County	159.79
Library	53.50
Health	82.47
Extension Service	53.50
Fire Protection	97.94
School	507.17
City of Frenchburg	4.75
Ambulance	97.92

KRS 134.815 state in part, “[t]he county clerk shall, by the tenth of each month, report under oath and pay to the state, county, city, urban-county government, school, and special taxing districts all ad valorem taxes on motor vehicles collected by him for the preceding month, less the collection fee of the county clerk, which shall be deducted before payment to the depository.”

We recommend the county clerk request reimbursement from each taxing district for the overpayment of ad valorem taxes. Once the amounts have been reimbursed, they should be deposited into the 2016 fee account and remitted as excess fees to the fiscal court.

County Clerk's Response: I did not realize that I had done this and will correct on August 2018 report.

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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