



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2016 financial statement of Morgan County Clerk Randy 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 Morgan 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 did not adhere to payroll procedures as established in *The Morgan County Clerk's Office Employee Handbook*: There were numerous occurrences of sick leave being included as work time for the purpose of overtime calculations, resulting in employees being paid at a rate of one-and-a-half times the hourly rate rather than the hourly rate. This affected all full-time employees at least once during the year. Employees were also paid salary advancements before having actually worked enough hours to have earned the payments advanced. Four full time employees had a total of 61 occurrences of advanced payroll payments made to them, 25 of which were before the full amount advanced to them had been earned.

The county clerk failed to follow payroll procedures described in *The Morgan County Clerk's Office Employee Handbook* that detail how these situations should be handled.

As a result of inaccurate overtime calculations, employees were paid at a rate of time and a half rather than straight time for some hours, resulting in \$2,529 in payroll overpayments. These are considered disallowed disbursements of the fee account. When payroll advancements are made before the employee has earned the salary, there is always a risk the employee will be unable fulfill the work obligations and the county clerk will have spent taxpayer funds unnecessarily.

According to *The Morgan County Clerk's Office Employee Handbook*:

- “Whenever overtime is required, overtime pay is calculated at regular pay until you reach 40 hours in a work week (Monday through Saturday). After 40 work hours worked per week, the balance of overtime hours will be at the rate of one and one-half hour for each overtime hour past 40 worked. The phrase time and one-half for overtime worked is pertinent. If you take sick leave (including time off for medical appointments), funeral leave, Jury duty leave, maternity leave or miss work time for any other reason, your overtime calculation we (sic) be a (sic) straight time until you have worked 40 hours during the week. This provision does not apply to vacation leave or holiday leave.”
- “Your pay is a figure stated in hourly wages. Pay periods are once monthly. Pay is received on the 30th for work performed during that month. Any advance must be approved by the Clerk and can be for no more than the amount of hours worked during that month.”

We recommend the following:

- \$2,529 needs to be reimbursed to the fee account and is included in the excess fee amount as reported on the audited financial statement. We recommend the reimbursement be made to the fee account and excess fees be paid to the fiscal court as quickly as possible in order to settle the 2016 fee account.
- The county clerk should pay overtime in adherence to the policy as stated in the *Morgan County Clerk's Office Employee Handbook*.

Clerk's Response: I will adopt a new employee handbook and have Fiscal Court approve. I have done payroll that way for 16 years and been audited by state and private firms and no one mentioned to me that it was incorrect.

Auditor's Reply: It is management's responsibility to follow all applicable requirements set forth in *The Morgan County Clerk's Office Employee Handbook*.

The county clerk's office lacks internal controls over payroll: The county clerk requires full time deputies to maintain time cards. Time cards are submitted to the county clerk, who reviews and submits to the payroll clerk. The county clerk does not initial or sign to document his review of the timesheets. We also noted several instances of missing time cards.

These deficiencies occurred due to the lack of internal controls over the payroll process.

By not signing off on the time cards, there is no documentation that the county clerk reviewed and approved the hours worked or leave time. Missing time cards could indicate employees were paid

for time not worked, or were not paid for all time worked, but in the absence of the time card, there is no way to know.

Good internal controls dictate timesheets should be reviewed for accuracy by an immediate supervisor and recalculated by someone other than the preparer. KRS 337.320(1)(b) states “every employer shall keep a record of” “the hours worked each day and each week by each employee.” Good internal controls would also require signatures of employees and supervisors to document time worked as agreed to by both parties.

We recommend that the county clerk initial or sign all time cards to verify the accuracy of the time worked and leave used. We recommend that the county clerk maintain records of each employee’s hours worked per KRS 337.320.

Clerk’s Response: I will adhere to policies in the updated employee handbook.

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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