



Auditor of Public Accounts
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Edelen Releases Audit of Perry Clerk's Fee Account

FRANKFORT, Ky. – State Auditor Adam Edelen today released the audit of the 2010 financial statement of Perry County Clerk Haven King. State law requires the auditor to conduct annual audits of county clerks and sheriffs.

The audit found that the clerk's financial statement presents fairly the revenues, expenditures, and excess fees of the Perry County clerk in conformity with the regulatory basis of accounting.

As part of the audit process, the auditor must comment on non-compliance 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 county clerk should have paid disallowed expenditures as recommended in prior year audits.** During our review and follow-up of the 2007 and 2008 audits performed by the Auditor of Public Accounts and the 2009 audit performed by a CPA, we found the county clerk had not paid back his fee accounts for disallowed expenditures totaling \$29,290 as recommended in the prior year audits.
 - Per the 2007 calendar year fee account audit auditors disallowed expenditures totaling \$9,593, which then was due to the fiscal court as additional excess fees. The county clerk remitted personal funds of \$605 leaving a balance of \$8,988 of 2007 disallowed expenditures that has not been paid by the county clerk.
 - Per the 2008 calendar year fee account audit auditors disallowed expenditures totaling \$17,947, which then was due to the fiscal court as additional excess fees. The county clerk has not paid back any of the 2008 disallowed expenditures.

- Per the 2009 calendar year fee account audit the CPA disallowed expenditures totaling \$1,750. The county clerk has not paid back any of the 2009 disallowed expenditures.

We recommend the county clerk pay all prior year disallowed expenditures and remit to the fiscal court as additional excess fees as reported in prior year audits. In the future, we recommend the county clerk ensure all expenditures are reasonable and necessary for the operation of the Perry County clerk's office.

County clerk's response: The expenditures addressed in the 2007 calendar year fee audit and the 2008 calendar year fee audit were addressed by the county clerk in his responses to the 2007 audit report and 2008 audit report. The county clerk reiterates his position that the expenditures mentioned in the 2007 audit report and 2008 audit report were not predominately personal in nature and do not violate the standard set forth in Funk v. Milliken.

Auditor's Response: In Funk v. Milliken, 317 S.W.2d 499 (Ky. 1958), Kentucky's highest court ruled that county fee officials' expenditures 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.

County clerk's response: The expenditures addressed in the 2009 calendar year fee audit concerned payments made to the Board of Election. The payment of \$125 per day for the Board of Election members was changed to be consistent with the amount paid to precinct workers. Once the clerk learned that this amount exceeded the statutory amount, appropriate corrections were made. The clerk will pay the commissioners according to KRS 117.035. Appropriate corrections have been made.

- **The county clerk should make payments to county election board officers in compliance with KRS 117.035.** The county clerk paid election commissioners per meeting instead of per day. Also the amount paid (\$125) was in excess of amount allowed per statute. KRS 117.035 (2)(e), states "Compensation and payment of actual expenses of members shall be set by the fiscal court either as an amount payable on an annual basis or as an amount payable on a per diem basis of not less than fifteen dollars (\$15) nor more than one hundred dollars (\$100) for each day the board meets".

The election board consisted of three (3) individuals in addition to the county clerk. The board held meetings on 19 days for which the three commissioners should have been paid a total of \$5,700. Instead the county clerk paid the 3 commissioners \$125 per meeting times 21 meetings (twice the board held two meetings in one day) for a total of \$7,875. We recommend the county clerk pay election board commissioners according to KRS 117.035. We further recommend the county clerk personally reimburse the official fee account \$2,175 for the total amount of the overpayment to the commissioners.

County clerk's response: The clerk will pay the commissioners according to KRS 117.035. Appropriate corrections have been made for this mistake.

- **The County Clerk's Office lacks adequate segregation of duties.** The county clerk's office lacks adequate segregation of duties. During our review of internal controls we noted all of the county clerk's employees receive cash. The bookkeeper receives cash, prepares deposits, posts revenue to the ledger, prepares disbursements other than those listed elsewhere in this comment, posts disbursements to the ledger and completes the monthly bank reconciliations. The county clerk has assigned different deputies to be responsible for the usage, registration, delinquent tax, legal process, and chattel disbursements. Employees are not cross-trained, therefore, only the deputy responsible for a certain report is knowledgeable about those reports. The deputy who prepares the report is also responsible for preparing all disbursement checks. Although the county clerk reviews the monthly reports and disbursements, auditors found no evidence that he reviews refund or overpayment disbursements. In order to post all disbursements the bookkeeper uses the check register instead of the actual disbursement check and supporting documentation. The county clerk routinely only signs payroll checks, not other disbursements. The bookkeeper cannot account for all sequences of checks since other deputies remove groupings of checks from the check register (for multiple disbursements such as those for elections).

When one deputy collects revenue, prepares deposits, prepares the reports and prepares the disbursements, that deputy has control over the entire process. Auditors could find no evidence that the county clerk or another deputy verifies the receipts or disbursements (with the exception of payroll) before they are remitted or posted to the ledger. Also, allowing one person control over an entire process without oversight subjects the monies of the county clerk's office to inaccurate financial reporting or misappropriation.

We strongly recommend the county clerk segregate duties and/or institute compensating controls. Examples of controls include, but are not limited to, cross-training employees, requiring deputies to periodically rotate duties, routinely recalculating daily checkout procedures for accuracy, obtaining bank statements unopened, re-performing bank reconciliations and ensuring that reports and financial statements are accurate by comparing to the ledgers. The county clerk should appoint one individual to be responsible for issuing all disbursements. The county clerk, along with a deputy, should sign all checks. The county clerk should approve all refunds. The county clerk and deputies should document the review processes by initialing the reports and supporting documentation.

County clerk's response: The clerk signs all payroll checks, all bills, adval and delinquent tax payments. Will sign any other checks when available. Checks are only removed from checkbook binder during the election.

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.

This report, in its entirety, can be accessed on the Internet at the following site: [here](#).

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