



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the April 1 – November 15, 2020 financial statement of interim Boyd County Clerk Susan Campbell. 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 interim Boyd County Clerk in accordance with accounting principles generally accepted in the United States of America. The interim clerk's financial statement did not follow this format. However, the interim 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 interim Boyd County Clerk's fourth quarter financial report was not submitted timely and was materially inaccurate: The interim county clerk did not submit her fourth quarter report to the Department for Local Government (DLG) timely. The interim clerk's fourth quarter report was not submitted until April 28, 2022, after the audit had commenced. Further, the fourth quarter report submitted to DLG was materially inaccurate reflecting posting discrepancies that required multiple audit reclassifications and adjustments. Adjustments of \$312,356 were made to the receipts ledger and of \$245,451 to the disbursements ledger.

The interim county clerk did not know the requirements. She left office halfway through the fourth quarter of 2020, therefore, she believed that a fourth quarter report was not required. Further, the

interim county clerk did not have controls in place to ensure that staff knew the requirements or did not monitor and review to make sure requirements were followed. Proper controls were not in place to detect or correct mispostings. In addition, the interim county clerk and her bookkeeper were new during the calendar year and lacked experience to know how to properly classify different types of transactions.

Failure to submit required reports prevents proper oversight from DLG. Mispostings increase the risk of uncorrected errors, theft, loss, or misappropriated assets. Material audit reclassifications and adjustments were necessary to accurately reflect the activity of the county clerk's office.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. This system of accounts requires that fee official quarterly financial report should be submitted by the 30th day following the close of each quarter. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in DLG's *County Budget Preparation and State Local Finance Officer Policy Manual*. The manual requires the clerk to prepare a quarterly report which includes total receipts and total disbursements on a cash basis per line-item category. In addition, good internal control procedures would detect errors in daily posting to ledgers, reducing the risk of misappropriation and inaccurate financial reporting.

We recommend the county clerk's office ensure that they are complying with the DLG's manual. We also recommend the county clerk's office review reclassifications and adjustments and develop policies for posting transactions to ensure that receipts and disbursements are categorized correctly on ledgers and quarterly reports.

County Clerk's Response: New clerk took office on 11/13/20, causing intermingling of all 4th quarters funds, then changed out computer system – Bookkeeper could not access old system to reconcile or make any corrections. Spring of 2022 was finally allowed into old system and got everything straightened out. Motor Vehicle Dept & Delinquent tax Dept. had made changes to reports without notifying clerk or Bookkeeper. When straightened out it was submitted, unfortunately audit was in progress and reclassifications were made.

The interim clerk did not have adequate internal controls, review, and oversight procedures for receipts and disbursements: The interim Boyd County Clerk did not implement adequate controls, review, and oversight procedures for receipts and disbursements. The following issues were noted during the audit:

- The interim clerk's bookkeeper posted to the receipts and disbursements ledger and performed bank reconciliations, however, there was no documentation of these items being reviewed by someone not involved in their creation.
- The lack of controls over receipts led to material discrepancies as noted in Finding 2020-001.
- Usage tax, tangible personal property tax, and license fees were not accurate on the fourth quarter financial report as noted during the motor vehicle registration audit and in Finding 2020-001.
- Adequate recordkeeping was not maintained. Auditors were provided with multiple copies of ledgers and financial reports that did not agree.

The interim clerk did not have controls in place to ensure that staff knew the requirements or did not monitor and review to make sure requirements were followed. Without sufficient authorization or review, receipts and disbursements could be posted incorrectly and/or misappropriated. The interim county clerk's fourth quarter financial report submitted to the Department for Local Government (DLG) was inaccurate. Bad recordkeeping increases the risk of uncorrected errors, theft, loss, or misappropriation of assets. Strong internal controls require that adequate documentation and sufficient review of all receipts and disbursements are necessary to reduce the risk of errors and misstatements. We recommend the county clerk's office implement procedures that strengthen controls over receipts and disbursements, including but not limited to, ensuring that an employee independent of the process is reviewing bank reconciliations and receipts and disbursements ledgers after they are prepared.

County Clerk's Response: We did the best we could using the people we had, delegating duties through Covid, and working short staffed. New Clerk delegated duties accordingly with staff that was available.

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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