



Auditor of Public Accounts  
Mike Harmon

**FOR IMMEDIATE RELEASE**

**Contact: Michael Goins**  
[Michael.Goins@ky.gov](mailto:Michael.Goins@ky.gov)  
**502.564.5841**  
**502.209.2867**

**Harmon Releases Audit of Boyd County Clerk's Fee Account**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the November 16 – December 31, 2020 financial statement of Boyd County Clerk Kevin Johnston. 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 Boyd 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 findings:

**The county clerk's fourth quarter financial report was materially misstated:** The county clerk's fourth quarter financial report submitted to the Department for Local Government (DLG) was materially inaccurate reflecting posting discrepancies that required multiple audit reclassifications and adjustments. Adjustments of \$197,567 were made to the receipts ledger and of \$396,529 to the disbursements ledger. Proper controls were not in place to detect or correct mispostings. In addition, the county clerk and his 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. The county clerk's quarterly report submitted to DLG was inaccurate.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. This system of accounts requires the fee official quarterly financial report 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 ensure that he is complying with applicable statutes and DLG's manual. We also recommend the county clerk review reclassifications and adjustments and develop policies for posting transactions to ensure that receipts and disbursements are categorized correctly on his ledgers and quarterly report.

*County Clerk's Response: The official did not provide a response.*

**The county clerk did not have adequate internal controls, review, and oversight procedures for receipts and disbursements:** The 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 county 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 and disbursements 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 Records (MVR) audit.

The county clerk did not have controls in place to ensure that staff knew and followed the requirements. In addition, the county clerk and bookkeeper were new during the calendar year and lacked experience to know how to properly classify different types of transactions. Without sufficient authorization or review, receipts and disbursements could be posted incorrectly and/or misappropriated. The county clerk's fourth quarter financial report submitted to the Department for Local Government (DLG) was inaccurate and material audit reclassifications and adjustments were necessary to accurately reflect the activity of the county clerk's office. Mispostings increase 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 performed 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: The official did not provide a response.*

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](#).

###

*The Auditor of Public Accounts ensures that public resources are protected, accurately valued, properly accounted for, and effectively employed to raise the quality of life of Kentuckians.*

*Call 1-800-KY-ALERT or visit our website to report suspected waste and abuse.*

