



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 Breckinridge County Clerk's Fee Account**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2021 financial statement of Breckinridge County Clerk Jared Butler. 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 Breckinridge 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 comments:

**The Breckinridge County Clerk's fourth quarter was materially misstated:** The Breckinridge County Clerk's fourth quarter financial report was materially misstated. Receipts and disbursements were understated by \$2,943 and \$206,307, respectively. The bookkeeper failed to include receipts and disbursements occurring after December 31, 2021, that were for calendar year 2021. The fourth quarter financial report was incorrect and did not provide an accurate and complete financial presentation for the Breckinridge County Clerk's office for calendar year 2021.

According to the bookkeeper, the reason for these understatements was because the fourth quarter financial report was submitted to Department for Local Government (DLG) without including the accounts receivables and liabilities for calendar year 2021. KRS 68.210 gives the state local

finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires all financial activity for the calendar year be included on the fourth quarter financial report. Also, good internal controls dictate the fourth quarter financial report be accurate and complete.

We recommend the county clerk ensure that the quarterly report is complete and accurate before submitting to DLG.

*County Clerk's Response: A separate column was added to the Dec ledger for EOY receipts and expenses instead of separating them.*

**The Breckinridge County Clerk does not have adequate controls over timesheet preparation and payroll processing:** During testing of time sheets of the county clerk's eight employees we noted the following errors:

- Seven of eight timesheets tested did not support hours worked and paid when compared to payroll summary report prepared by the county payroll officer.
- Six of eight timesheets tested documented time that was worked over and above the regularly scheduled hours, but the employee was not paid for the hours nor was the additional time included on the summary report prepared by the county payroll officer.
- Two employees leave time used and leave balances that was documented on their timesheets did not agree to the leave balance reports maintained by the county clerk.
- Three employees did not put actual hours worked on their timesheets, but rather used checkmarks to indicate that they have worked eight hours.
- All employees were paid for a one-hour lunch contrary to the county's administrative code.
- Some employees are paid as a salaried employee regardless of hours worked, although none have been classified as "exempt or non-exempt" in accordance with the county's administrative code.

According to the county clerk the typical office work week is 8:00 AM to 4:00 PM, Monday through Friday, and 8:00 AM to 12:00 PM on Saturday. Deputies are required to work five days a week for seven hours a day with a one hour paid lunch each day with the exception of Saturdays. On Saturdays a deputy will work four hours and be paid for eight of them. In addition to this if a deputy works on a Saturday their day off will be the Friday before to ensure they do not exceed working five days a week. Because the Saturday shift is only four hours worked, but eight hours paid, the timesheets will not match the payroll summary reports given by the county payroll officer. The county clerk also added that the employees use check marks to indicate a typical eight-hour workday on their timesheets. The county clerk said the leave balance reports not agreeing was an oversight.

By not having adequate controls over timesheets the county clerk is not in compliance with KRS 337.320. Also, the policy and procedures manual the county clerk follows contradicts the Breckinridge County Fiscal Court's policy and procedures manual. In addition, by not properly filling out the timesheet and including hours worked the employee may or may not be eligible for state retirement.

KRS 337.320(1) states, in part, “[e]very employer shall keep a record of: (a) The amount paid each pay period to each employee; (b) The hours worked each day and each week by each employee[.]” The county payroll office requires that the completed timesheets are to be signed by the employee. The timesheets are to be verified and signed by the supervisor and submitted to the county payroll officer. Failure by employee to submit time sheets by deadline will result in paycheck not being issued until the following pay periods.

The Breckinridge County Fiscal Court Policy and Procedures Manual defines a workweek as “[f]ull-time employees are scheduled according to each individual office or departments needs and lunch breaks are exclusive. Essential employees are scheduled to be on duty and lunch breaks are inclusive.” The overtime policy for the fiscal court states, “[i]n order to determine whether an employee will receive overtime pay for hours worked in excess of forty (40) hours per week, each class shall be declared “exempt” or “non-exempt” in accordance with provisions of existing labor laws. Exempt employees shall not be compensated in cash for overtime worked. Non-exempt employees shall receive overtime pay at the rate of one and one-half (1.5) times the hourly wages for actual hours worked in excess of (40) hours in any work week. Non-exempt employees who are required to work all seven (7) days in a workweek shall receive overtime pay at the rate of one and one-half times the hourly wage for all hours.” Additionally, good internal controls dictate that timesheets be complete accurately.

We recommend the county clerk ensure timesheets document actual hours worked, are signed by the employee, and verified by a supervisor. We also recommend the county clerk update his personnel policy in order to remain compliant with the fiscal court’s policy and that internal controls be evaluated and implemented in order to ensure timesheets are prepared accurately and support payroll charges.

*County Clerk’s Response: Clerk has created a spreadsheet that will show hours worked by Part-Time employees. Deputies have been notified to complete timesheets before submitting to clerk.*

**The Breckinridge County Clerk did not make deposits daily:** During calendar year 2021, deposits for the Breckinridge County Clerk’s office were not deposited on a daily basis. Deposits were tested for the period of April 5, 2021 through April 9, 2021. Receipts were batched daily, but deposits were only taken to the bank three times for the period tested. The receipts for April 5 and April 6 in the amounts of \$45,196 and \$22,124, respectively, were not taken to the bank until April 9. Receipts for April 7 in the amount of \$28,515 were not taken to the bank until April 14.

According to the bookkeeper, it has been more difficult in recent years to make deposits daily since the bank next door closed. Therefore, they usually only take the deposit to the bank every few days. By not making deposits on a daily basis, the opportunity for misappropriation or theft of receipts is increased. Additionally, the county clerk is not in compliance with DLG’s *County Budget Preparation and State Local Finance Officer Policy Manual*.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires performing daily check-out procedures and daily deposits intact into a federally insured

banking institution. Also, good internal controls dictate that receipts be batched and deposited daily.

We recommend the Breckinridge County Clerk comply with *County Budget Preparation and State Local Finance Officer Policy Manual* and ensure deposits are being made daily.

*County Clerk's Response: Having the downtown bank branch closed makes this difficult to achieve with short staffing. We all will strive to complete this task.*

**The Breckinridge County Clerk's office lacks adequate segregation of duties:** The Breckinridge County Clerk's Office lacks adequate segregation of duties. The bookkeeper performs numerous duties dealing with receipts and disbursements. The bookkeeper is responsible for preparing checks, posting to the receipts and disbursements ledgers, preparing monthly bank reconciliations, and preparing and reconciling the quarterly reports. Deputies prepare MVR reports, collect receipts, and prepare deposits. Although documented compensating controls were noted to offset these control deficiencies, the auditor determined, during the performance of the audit, that these compensating controls were not functioning as intended, and failed to detect several deficiencies.

The county clerk indicated this condition is a result of a limited budget, which restricts the number of employees the county clerk can hire for accounting functions. The lack of oversight could result in undetected misappropriation of assets or inaccurate financial reporting to external agencies such as the Department for Local Government (DLG).

The segregation of duties over various accounting functions such as preparing deposits, writing checks, recording receipts and disbursements, reconciling bank statements, and preparing and reconciling quarterly reports, or the implementation of compensating controls is essential for providing protection from asset misappropriation or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the clerk separate the duties over the receipt, disbursement, and reconciliation functions listed above. If this is not possible, due to limited number of staff, then strong oversight over those areas should occur and involve the clerk or an employee not currently performing any of those functions. The individual providing this oversight should initial source documents as evidence of this review.

*County Clerk's Response: With such a small staff this is extremely difficult. Deputies will be crossed trained in an attempt to complete this task.*

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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