



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2021 financial statement of Caldwell County Clerk Toni Watson. 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 Caldwell 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 Caldwell County Clerk did not settle excess fees by March 15 as required by statute: The Caldwell County Clerk did not present her annual settlement or pay excess fees to fiscal court until May 9, 2022. According to the county clerk, the annual settlement was not prepared and presented to fiscal court until May due to her busy schedule in preparing for the primary election. Furthermore, excess fees were not paid timely due to numerous bank errors in which the state mistakenly withdrew funds from the wrong account. Because of the bank errors, she needed additional time to get the issues resolved so that she could pay the correct amount of excess fees. Because the county clerk did not settle excess fees by March 15, the county clerk is not in compliance with KRS 64.152. Additionally, the fiscal court was denied funds that could have been used to provide necessary services of the county.

Strong internal controls dictate that the annual settlement be presented to fiscal court in a timely manner. Furthermore, KRS 64.152(1) states, “[i]n counties containing a population of less than seventy-five thousand (75,000), the county clerk shall provide to the fiscal court by March 15 of each year a complete statement for the preceding calendar year of all funds received by his office in an official capacity or for official services, and of all expenditures of his office, including his salary, compensation of deputies and assistants, and reasonable expenses.”

KRS 64.152(2) states, “[a]t the time of filing the statement required by subsection (1) of this section, the clerk shall pay to the fiscal court any income of his office, including income from investments, which exceeds the sum of his maximum salary as permitted by the Constitution and other reasonable expenses, including compensation of deputies and assistants.”

We recommend the Caldwell County Clerk strengthen internal controls and comply with KRS 64.152 by presenting her annual settlement and paying excess fees to fiscal court by March 15.

County Clerk's Response: I had several problems balancing the books. Lots of Covid and absenteeism in office. Will have completion of 2022 on time. Election took a lot of time.

The Caldwell County Clerk's fourth quarter financial statement was misstated: The Caldwell County Clerk's fourth quarter financial statement that was submitted to the Department for Local Government (DLG) was inaccurate when compared to the receipts and disbursements ledgers and to the county clerk's annual settlement for calendar year 2021. The receipts per the fourth quarter financial statement were understated by \$16,573 and the disbursements were understated by \$82,295. According to the county clerk, the fourth quarter financial statement did not include outstanding receivables or unpaid obligations due to an oversight.

Because outstanding receivables and unpaid obligations were excluded, the fourth quarter financial statement was misstated and thus the financial information did not reflect an accurate financial accounting of the county clerk's office as reported to DLG.

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 officials to ensure accurate and complete financial reporting. Good internal controls dictate that the financial report would be accurate and complete.

We recommend the Caldwell County Clerk strengthen internal controls to ensure all outstanding receivables and unpaid obligations as of December 31 are accurately reported on the fourth quarter financial statement to ensure the financial information submitted to DLG and other users is accurate and complete.

County Clerk's Response: Will complete in a more timely manner. The misstated the figures we included on yearly statement and there were no fees missing. My county judge was aware of my lateness.

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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