



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2022 financial statement of former 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 former Caldwell County Clerk in accordance with accounting principles generally accepted in the United States of America. The former clerk's financial statement did not follow this format. However, the former 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 finding:

The former Caldwell County Clerk's fourth quarter financial statement was not accurately stated: This is a repeat finding and was included in the prior year audit report as Finding 2021-002. The former Caldwell County Clerk's fourth quarter financial statement that was submitted to the Department for Local Government (DLG) did not include all receipts and disbursements processed by the county clerk's office during the calendar year. Total receipts were understated by \$58,273 and total disbursements were understated by \$56,517.

According to the former county clerk, the fourth quarter financial statement included bank errors and overpayments in order to reconcile to the bank account and that the delinquent tax sale deposits and refunds were not included due to this activity being processed through the escrow account.

Due to these posting errors, 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 be accurate and complete.

We recommend the Caldwell County Clerk's Office strengthen internal controls to ensure all financial activity processed by the office is reported on the quarterly financial statements to ensure the financial information submitted to DLG and other users is accurate and complete.

Former County Clerk's Response: I did not remember the delinquent tax sale policy change or the discussion with the prior auditor requesting the change. I received no correspondence or verbal info at clerk's meetings. The revenue cabinet personnel I spoke to were not aware of this change. I used the same escrow account as instructed when the sales started.

Auditor's Reply: The Caldwell County Clerk processed the 2022 delinquent tax sale activity through her escrow account. Delinquent tax sale deposits along with the related refunds are statutorily required receipts and disbursements of a county clerk. This activity was not included on the clerk's receipts or disbursements ledgers as required by the *County Budget Preparation and State Local Finance Officer Policy Manual*, nor included in the fee account activity as reported on her fourth quarter financial statement.

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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