



Auditor of Public Accounts
Mike Harmon

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Harmon Releases Audit of Perry County Clerk's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2022 financial statement of Perry County Clerk Wayne Napier. 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 Perry 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 finding:

The county clerk did not prepare franchise tax bills in a timely manner: The county clerk's office did not prepare franchise bills for tax year 2021. The county clerk's office receives the certifications from the Department of Revenue and is required to prepare the franchise tax bills for the sheriff's office upon receipt of the state certification. The county clerk did not prepare these bills until tax year 2022.

The former outside source that created franchise bills from the state certifications passed away. The county clerk's office did not have the training to properly create franchise bills for tax year 2021. As a result, there are 42 unbilled franchise tax bills that were not prepared by the county clerk's office for tax year 2021. The franchise bills that were not timely prepared total \$1,282,242.

Per the chart below, the taxing districts and the sheriff's office were withheld the following funds for tax year 2021.

<u>Taxing District</u>	<u>Amount</u>
County	\$ 148,313
Common School District	669,033
Graded School District	107,835
Library District	221,317
Health District	82,193
Extension District	53,551
Total	<u>\$ 1,282,242</u>

The county clerk is required to prepare franchise tax bills upon receipt of the state assessment certification and promptly give to the sheriff to mail. KRS 133.220(2) states, in part, "the county clerk shall prepare for the use of the sheriff or collector a correct tax bill for each taxpayer in the county[.]" We recommend the county clerk comply with KRS 133.220(2) and prepare franchise bills in a timely manner for all tax years.

County Clerk's Response: The tax bills are a very important part of the job at the Perry County Clerk's Office. It is our goal to send the sheriff's office the franchise bills in a timely manner. However, we had to go through a vendor, [vendor name redacted], to calculate, print and then send them to us. Once we received the bills from [vendor name redacted] we dated them and I signed them, and they were delivered to the Sheriff Joe Engle's office. This was the procedure every year. Unfortunately for the tax year 2021, [name redacted], owner of [vendor name redacted], passed away at the time our bills were up to be printed and mailed out to us. We worked diligently to find another vendor to take over this job but to no avail. We ultimately bought the software to calculate and print the bills in house. We have staff that learned the software and they now send the bills out weekly.

This issue was completely out of our control but I feel like we did remedy the situation as quickly and efficiently as possible and in doing so we made it to where we control future bills and the way they are processed.

I would like to dispute this write-up on the grounds that the happenings were completely beyond our control. We made every effort to find a new vendor and when we couldn't we purchased software needed so this doesn't happen again.

I would also like to point out, all taxing districts did receive all monies that were due to them.

Auditor's Reply: KRS 133.220(3) provides in part: "Tax bills prepared in accordance with the certification of the department shall be delivered to the sheriff or collector by the county clerk before September 15 of each year." Since the county clerk's office did not have backup procedures in place and training on how to prepare franchise bills, the tax bills were not timely delivered to the sheriff and the tax districts did not receive their funds in a timely manner.

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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