



## Auditor of Public Accounts Allison Ball

**FOR IMMEDIATE RELEASE**

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### **Ball Releases Audit of Taylor County Clerk's Fee Account**

**FRANKFORT, Ky.** – State Auditor Allison Ball released the audit of the 2023 financial statement of Taylor County Clerk Mark Carney. 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 Taylor 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.

The audit contains the following findings:

**The Taylor County Clerk's Office lacks adequate segregation of duties:** The deputy who prepares the daily checkout sheet also collects money, prepares the daily deposit, and posts to the ledger. The county clerk also performs these duties. Another deputy and the county clerk jointly prepare the quarterly financial reports. The county clerk prepares, signs, and posts all disbursements. The county clerk performs bank reconciliations. No reviews of any records, ledgers, reconciliations, or reports were documented.

We recommend the county clerk segregate duties over receipts, disbursements, and reconciliations. If segregation of duties is not feasible due to a lack of staff, we recommend the county clerk implement and document strong oversight over incompatible functions. The person providing this oversight should document his or her review by initialing all source documentation.

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

**The Taylor County Clerk did not deposit funds intact daily:** This finding has been included in the audit report since calendar year 2008. The county clerk's daily checkout sheets show each day's cash on hand is different. This deficiency is allowed to occur because it is the county clerk's policy to only deposit larger cash bills and checks and leave all change and smaller cash bills for startup cash. The county clerk knew the requirements to make all deposits intact daily but didn't agree with them for operational management purposes. As a result of not depositing funds intact daily, several receipts were not deposited and additional receipts were deposited.

The DLG's *County Budget Preparation and State Local Finance Officer Policy Manual* recommends the minimum requirements for handling public funds pursuant to KRS 68.210. The manual requires "daily deposits intact into a federally insured banking institution". Good internal controls dictate the practice of making daily deposits and reduce the risk of misappropriation of cash, which is the asset most subject to possible theft. We recommend the county clerk make daily deposits intact and leave a set amount in each of the cash drawers as startup monies each day.

*County Clerk's Response: Management decision to close and open our cash drawers using the amount in cash drawers, then only depositing all big bills (\$20 & \$100 & 50) and leaving rest in the drawer for the next day instead of depositing coins and small bills.*

Auditor's Reply: The county clerk is required by the Department for Local Government's minimum requirements for handling public funds to make daily deposits intact into a federally insured banking institution. Not having a fixed amount of change funds in the drawers and not depositing all funds received each day increases fraud risk.

**The Taylor County Clerk did not require third-party purchasers to make deposits and payments in accordance with 103 KAR 5:180:** The county clerk stated he followed the tax sale registration and deposit process as required in 2019 and felt the extra steps of requiring deposits and then refunding large unused portions negatively affected the tax sale. The county clerk stated he made a management decision in 2020 to only require purchasers to pay registration fees, but he did not collect any deposits. The county clerk continued this management decision in 2023.

Failure to collect deposits can result in the county clerk not being able to cover any additional costs and expenses associated with any purchaser who fails to make full payment at the time of the tax sale. Establishing procedures contrary to established regulations places the clerk in non-compliance with the relevant laws.

We recommend the county clerk require third-party purchasers make deposits for certificates of delinquency they wish to purchase as required by 103 KAR 5:180.

*County Clerk's Response: Management decision not to do this. Did it one year, did not make much sense and just added a lot of extra work to the process. I don't like the wording in the finding where it says, "did not require third party purchases to make deposits and payments." That could cause someone to think that we do not require correct payment for the purchases of the delinquent tax bills. We do not require a 25% deposit of bills that are included on a purchase list provided by the companies. The companies do have to pay a registration fee to participate in the tax sale and pay full price for all bills purchased. We sold 42 delinquent tax bills on August 21<sup>st</sup> this year for \$49,420.27 The companies do make proper payment.*

Auditor's Reply: Relevant Kentucky Revised Statutes and Kentucky Administrative Regulations require the county clerk to collect deposits from third-party purchasers for certificates of delinquency they intend to purchase.

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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