



Auditor of Public Accounts
Mike Harmon

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Harmon Releases Audit of Bell County Clerk's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2016 financial statement of Bell County Clerk Debbie Gambrel. 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 Bell 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 internal control over financial operations and reporting.

The audit contains the following comments:

The Bell County Clerk spent fee receipts on disallowed disbursements. The Bell County Clerk made disallowed disbursements from the 2016 fee account for the purchase of four advertisements in local school sports programs and the local newspaper totaling \$365. This is a repeat finding and was included in the prior year audit report as Finding 2015-002.

The disbursements occurred before the clerk became aware what disbursements are allowable from the fee account. As a result, excess fees due and paid to fiscal court were underpaid by \$365.

In Funk v. Milliken, 317 S.W.2d 499 (Ky. 1958), Kentucky's highest court ruled that county fee officials' expenditures of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not primarily personal in nature.

We recommend the clerk reimburse the 2016 fee account \$365 and then remit this amount the Bell County Fiscal Court as additional excess fees.

County Clerk's Response: We were not made aware that office money could not be spent on office advertisements to local school and events until after our 2015 audit exit on November 29, 2016. At that time these errors had already been repeated in 2016. Now clerk pays for any advertisement with personal funds.

Clerk has reimbursed the 2016 General Office fee account \$365.00 from her personal checking account for ALL disallowed office advertisement supporting local schools, boosters and events.

The Bell County Clerk's fourth quarter report was materially misstated. The Bell County Clerk's fourth quarter report was not an accurate representation of the financial activity of the office for calendar year 2016. Twenty-one adjustments and reclassifications to the receipt ledger totaling \$76,477 and 23 adjustments and reclassifications to the disbursements ledger were necessary totaling \$118,692 to reconcile the clerk's fourth quarter report for the 2016 fee account. These adjustments and reclassifications total \$195,169, which represents an amount material to the financial statements.

The county clerk indicated that due to lack of experience and training, the bookkeeper did not accurately post transactions to correct line items on the receipts and disbursements ledgers.

The county clerk's ledgers and financial statements were not an accurate representation of the actual financial activity of the office for calendar year 2016. As an example of the types of errors on the financial statement, the payroll reports did not reconcile to the ledgers and audited financial statement. Eight reclassifications totaling \$62,221 were made in an effort to reconcile the audited financial statements; however, there was an irreconcilable difference of \$1,090 between the total payroll reports and the audited financial statement.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the State Local Finance Officer has prescribed minimum accounting and reporting standards in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*.

We recommend the Bell County Clerk comply with minimum accounting and reporting standards by ensuring all postings to receipts and disbursements ledgers are accurate.

County Clerk's Response: Our bookkeeper assigned receipts, disbursements and transferred to wrong line items and categories, not being familiar with coding. No money missing, bookkeeping error. Payroll in January 2017 was taken out of 2016 bank account in error and had to be corrected and funds had to be transferred from 2016 account to 2017 account to correct the error.

Bookkeeper and our Software company will monitor closer, postings to receipts and disbursements ledgers. Bookkeeper will check ALL postings to ledger.

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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