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Harmon Releases Audit of Former Graves County Clerk's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2016 financial statement of former Graves County Clerk Barry Kennemore. 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 Graves 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 former Graves County Clerk did not reconcile account receivable subsidiary ledgers to the fee ledgers: This is a repeat finding and was included in the prior year report as Finding 2015-001. During calendar 2016, the former Graves County Clerk allowed customers to charge for services provided by the county clerk's office, and those receivables did not reconcile with the accounts receivable subsidiary ledger. For calendar year 2016, total charged business exceeded \$664,000. According to the former county clerk's ledgers and settlement \$761 has yet to be collected.

The former county clerk relied on the point of sale system to account for all customer charges; however, individual charge accounts on the point of sale system were not reconciled to the total amount of charges recorded on the former county clerk's ledgers. Due to there not being subsidiary

ledgers that reconcile to the amount on the settlement, it is not possible to determine if the outstanding balance as of the settlement has since been collected.

This could lead to customers receiving services without settling their account. Accounts receivable are vulnerable to manipulation and should be accounted for by each individual account and reconciled to the total account balance. Subsidiary ledgers are needed to account for these charges to ensure the correct amounts are being reported.

We recommend the Graves County Clerk's office strengthen controls over accounting for these charges by developing a written policy regarding charges and maintaining subsidiary records for each customer reconciled to the county clerk's ledgers monthly. In addition, the former Graves County Clerk should pay to his fee account \$761 from his personal funds and pay additional excess fees of \$761 to the Graves County Fiscal Court.

Former County Clerk's Response: The Clerk relies on the point of sale system to account for all customer charges. This system is provided by the State of Kentucky.

Auditor's Reply: The County Clerk's office is ultimately responsible for establishing proper internal controls over all funds to ensure they are properly accounted for.

The former Graves County Clerk did not properly support all credit card transactions: The former Graves County Clerk's Office did not properly maintain itemized invoices for the credit card disbursements. Auditors tested statements from two different months, during these months there were 47 transactions and four were not properly supported with itemized invoices. These transactions totaled \$152.07. Additionally, there was one other instance where the former county clerk paid a statement and did not have any support for a purchase in the amount of \$17.25.

According to the former county clerk, the receipt is missing due to an oversight, as the receipt was not kept with the credit card statement. As for the itemized receipts, the former county clerk failed to obtain itemized copies from the businesses. Fees of the former county clerk's office were used to pay for items that were not properly supported. Therefore, fees were not available for the operation of the county clerk's office or as excess fees.

In accordance with Funk vs. Milliken, 317 S.W.2d 499 (Ky. 1958), Kentucky's highest court ruled 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 Graves County Clerk's office maintain proper documentation in order to support all credit card transactions.

In addition, the former Graves County Clerk needs to reimburse his fee account in the amount \$17.25 from his personal funds in order to comply with Funk v. Milliken, 317 S.W.2d 499, (Ky. 1958) and pay additional excess fees of \$17.25 to the Graves County Fiscal Court.

Former County Clerk's Response: I personally lost a receipt, it was an oversight on my part.

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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