



Auditor of Public Accounts
Mike Harmon

FOR IMMEDIATE RELEASE

Contact: **Michael Goins**
Michael.Goins@ky.gov
502.564.5841
502.209.2867

Harmon Releases Audit of Hopkins County Clerk's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2020 financial statement of Hopkins County Clerk Keenan Cloern. 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 Hopkins 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 comment:

The Hopkins County Clerk failed to include storage fees in monthly excess fee payments and failed to properly obtain bids for items purchased with storage fees: The Hopkins County Clerk failed to properly handle and remit document storage fees received during calendar year 2020. These fees were kept in a separate account throughout the year and spent on office furniture and equipment, which is in violation of the Hopkins County Clerk's fee-pooling ordinance. In addition, the county clerk failed to bid the office furniture and equipment purchased from these fees. The county clerk purchased \$75,000 of furniture and equipment from the same vendor. The purchase was split into three invoices of \$25,000, and all invoices were dated the same day. The county clerk made three separate payments of \$25,000 each on the same day, resulting in \$75,000 in total.

According to the county clerk, it was thought that this new fee was intended for county clerk's offices and they got to keep the fees in house. Also, the county clerk was unaware of the bid requirements since each purchase was less than \$30,000. Since the county clerk did not include the document storage fees with all other fees collected, the county clerk's monthly excess fees were understated. In addition, since bidding procedures were not followed, it is possible the county clerk did not get the lowest price on the office furniture and equipment. Finally, the county clerk's purchases of the office furniture and equipment were not in compliance with the Hopkins County Clerk's fee-pooling ordinance.

Strong internal controls require management to monitor disbursements to ensure compliance with bid laws and the fee-pooling ordinance and purchases should not be split in order to be under the bid threshold. The Hopkins County Clerk's fee-pooling ordinance states, "In order to operate under the true intent of a fee pooling arrangement, the County Clerk will submit all expenditures for payment. The County Clerk may, however, out of his fee account, directly and without fee pooling or Fiscal Court approval, pay for any expenses related to postage for election materials and postage for passports."

In addition, KRS 424.260(1) states, "[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for materials, supplies except perishable meat, fish, and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than thirty thousand dollars (\$30,000) without first making newspaper advertisement for bids." As described by Kentucky's Attorney General in OAG 83-258, a county should determine its reasonable and anticipated needs for at least a year and cannot divide the necessary purchases so as to get purchases under the required level for bidding.

We recommend the county clerk treat the document storage fee the same as all other fees collected in the office. We recommend all expenditures of the county clerk's office be in compliance with the fee-pooling ordinance and bids be obtained when required.

County Clerk's Response: The \$10 document storage fee, which is included on every document filed in County Clerk's offices in Kentucky to provide County Clerk's offices with the funding and flexibility to make purchases on an as-need basis.

When KRS 64.012 (3) was created, I was advised by the Kentucky County Clerk's Association to create a separate checking account for the document storage fees. It was also understood that the funds had to be used by the end of each calendar year, and any unused funds shall be turned over to Fiscal Court as excess fees.

I feel it necessary to describe the purchases in 2020 to said vendor. In November, our bookkeeping department flooded, and it was imperative that the office be gutted and rebuilt quickly as to not risk compromising permanent records. In December, said vendor redesigned our recording department with the priority of making the entrance wheelchair accessible. There were three separate invoices because items were ordered at different times. All invoices were paid on the

same day, as the office received both of them on December 28th. I strongly feel that the items were purchased at the lowest possible rate. My record as County Clerk does and has always reflected fiscal responsibility to the taxpayers.

Remaining funds in the document storage fee account were turned over to Hopkins County Fiscal Court as excess fees.

County Attorney will recommend to Fiscal Court that they amend our current ordinance to comply with auditor's recommendation. County Clerk will require invoice in a timely manner and will bid out any services or inventory to comply with bid law.

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](#).

###

The Auditor of Public Accounts ensures that public resources are protected, accurately valued, properly accounted for, and effectively employed to raise the quality of life of Kentuckians.

Call 1-800-KY-ALERT or visit our website to report suspected waste and abuse.

