



Auditor of Public Accounts
Mike Harmon

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Harmon Releases Audit of Livingston County Clerk's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2015 financial statement of Livingston County Clerk Sonya Williams. 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 Livingston 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 non-compliance 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 comments:

The county clerk should not combine fees from multiple years. The county clerk's 4th quarter financial report for calendar year 2015 included operating receipts and disbursements from multiple years. This is due in part to the fact that salaries for calendar year 2016 were paid from the 2015 fee account, and 2015 salaries were paid from the 2014 fee account. This is also due to the county clerk turning over the wrong amount of excess fees to fiscal court due to a bookkeeping error. This bookkeeping error resulted in the 2015 fee account being overdrawn. To cover the overdraft, the county clerk transferred funds from her 2016 fee account to the 2015 fee account.

KRS 64.152(1) states, in part, “the county clerk shall provide to the fiscal court by March 15 of each year a complete statement for the preceding calendar year of all funds received by his office in an official capacity or for official services, and of all expenditures of his office, including his salary, compensation of deputies and assistants, and reasonable expenses.”

By allowing such transactions to occur, the county clerk runs the risk of misstating receipts and disbursements for the corresponding year and turning over the wrong amount of excess fees to the fiscal court. In order to ensure the correct amount of excess fees is turned over to fiscal court, we recommend the county clerk eliminate the combining of multiple years’ receipts and disbursements.

County Clerk’s response: The county clerk did not respond.

The Livingston County Clerk’s office lacks adequate segregation of duties. The Livingston County Clerk’s office lacks adequate segregation of duties over the accounting and reporting functions of the clerk’s office. The county clerk is responsible for preparing daily deposits, preparing and signing checks, posting to receipt and disbursement ledgers, preparing monthly bank reconciliations, and also preparing quarterly reports.

A lack of segregation of duties or strong oversight increases the risk of undetected errors. A proper segregation of duties over the accounting and reporting functions or the implementation of compensating controls is essential for providing protection from undetected errors. Additionally, a proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

As a result, we recommend the county clerk separate the duties involved in writing checks, posting to the receipt and disbursement ledgers, preparing monthly bank reconciliations, and preparing quarterly reports. If this is not feasible due to a limited budget, cross-checking procedures could be implemented and documented by the individual performing the procedure.

County Clerk’s response: The county clerk did not respond.

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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