



Auditor of Public Accounts  
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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 2017 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 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 Livingston County Clerk's Office has \$90 of disallowed disbursements:** This is a repeat finding and was reported in the prior year audit report as Finding 2016-002. The county clerk had \$60 of late fees in her fee account and \$30 of overdraft fees in her fish and game account.

The county clerk stated that in January 2017, her account had insufficient funds for usage. When the state withdrew usage funds from her account, it was over drafted and she was charged \$60 in late fees. Also, the county clerk transfers fish and game collections from the fee account to the fish and game account to be automatically withdrawn by the state. However, the clerk overlooked collections of \$265 that were to be transferred to the fish and game account. Therefore, when the

state automatically withdrew fish and game fees, her account was overdrawn and was charged a \$30 overdraft fee.

In Funk v. Milliken, 317 S.W.2d 499 (Ky. 1958), Kentucky's highest court ruled that county fee officials' disbursements 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.

Because late fees and overdraft fees are not considered necessary or beneficial to the public, the Livingston County Clerk is not in compliance with Funk v. Milliken, therefore, the fees are disallowed. As a result, we recommend the county clerk repay \$60 from her personal funds to the fiscal court for the fees charged to her 2017 fee account and repay \$30 from personal funds to her fish and game account.

*County Clerk's Response: The Livingston Co. Clerk will issue one check for \$30 to Fish and Wildlife and a separate check for \$60 to fiscal court today, 9-24-18.*

**The Livingston County Clerk's Office lacks adequate segregation of duties:** This is a repeat finding and was reported in the prior year audit report as Finding 2016-003. The Livingston County Clerk prepares daily deposits, prepares and signs checks, posts to receipts and disbursements ledgers, prepares monthly bank reconciliations, prepares quarterly reports, and occasionally collects cash from customers.

According to the county clerk, rather than segregate the duties noted above, she chooses to complete these duties herself because she feels that she is responsible for these duties since she is ultimately liable for the activity of the clerk's office. A lack of segregation of duties or strong oversight increases the risk of undetected errors.

A proper segregation of duties 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.

To adequately protect against misappropriation of assets and undetected misstatements, we recommend the Livingston County Clerk separate the duties involved in writing checks, posting to the receipts and disbursements ledgers, preparing monthly bank reconciliations, and preparing quarterly reports. If, due to a limited budget this is not feasible, compensating controls could be implemented and documented by the individual performing the procedure.

*County Clerk's Response: The Livingston County Clerk will implement compensating controls and document the individual performing the procedure.*

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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