



Auditor of Public Accounts
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Harmon Releases Audit of Taylor County Clerk's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2015 financial statement of Taylor County Clerk Mark Carney. 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 Taylor 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 Taylor County Clerk's office lacks adequate segregation of duties. The Taylor County Clerk's office lacks adequate segregation of duties over receipts and disbursements. For the majority of the year, the same deputy prepared the daily checkout sheet, prepared the daily deposit, and posted to the receipts ledger. In addition, the deputy also collects money from customers. The county clerk also performs these duties on occasion. Review of the daily checkout process by the county clerk is undocumented. Another deputy and the county clerk jointly prepare the quarterly financial reports. The county clerk prepares, signs, and posts all disbursements, with the exception of payroll. Another deputy performs the bank reconciliations for both the fee and payroll bank accounts, with the county clerk reviewing. The county clerk did initial the bank statements and occasionally the bank reconciliations, evidencing his review.

This condition is the result of a limited budget, which restricts the number of employees the county clerk can hire or delegate duties to. Segregation of duties over receipts, disbursements and the reconciliation process or implementation of compensating controls, when needed because the number of staff is limited, is essential for providing protection to employees in the normal course of performing their duties and can also prevent inaccurate financial reporting and misappropriation of assets.

Adequate segregation of duties would prevent the same person from having a significant role in the receiving and disbursing of funds, and the recording and reporting of those receipts and disbursements. In addition, compensating controls would not be effective over duties performed by the county clerk. The lack of segregation of duties increases the county clerk's risk of misappropriation of assets, errors, and inaccurate financial reporting.

We recommend the county clerk strengthen internal controls by segregating these duties. If segregation of duties is not possible due to a limited number of staff, strong oversight should be implemented. The employee providing this oversight should document his or her review by initialing all source documentation.

County Clerk's Response: No response.

The Taylor County Clerk did not deposit all funds collected intact on a daily basis. The county clerk's daily checkout sheets show each day's cash on hand was different. In addition, the county clerk leaves the daily cash receipts overnight in the office vault and makes the deposit the next day. This would normally be acceptable; however, the cash drawers are housed in a wooden cabinet in the vault.

This deficiency is allowed to occur because it is the county clerk's policy to only deposit cash bills, leave all change for startup cash and to keep the cash drawers in the vault overnight. As a result of not depositing funds intact on a daily basis, the county clerk is not in compliance with guidelines set forth by the State Local Finance Officer. Also, if a fire were to occur due to electrical wiring in the vault, the wooden cabinet would be destroyed, along with all monies contained within.

The Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* establishes minimum requirements for handling public funds pursuant to KRS 68.210. The manual requires there to be "daily deposits intact into a federally insured banking institution." The practice of making daily deposits reduces the risk of misappropriation of cash, which is the asset most subject to possible theft. Additionally, when deposits are not made timely, the risk that the bank account can be overdrawn is increased.

We recommend the county clerk make daily deposits intact and leave a minimum of \$200 in each of the cash drawers as startup monies each day. We also recommend the county clerk either take the daily deposit to the bank overnight for safekeeping or house in a fire proof safe in his office until the deposit can be made the next morning.

County Clerk's Response: No response.

The Taylor County Clerk did not adhere to the Taylor County Fiscal Court's *Personnel Policies and Procedures Handbook* or implement his own written policy. The county clerk's office employees were granted vacation leave according to the fiscal court's policy; however, sick leave balances were not in accordance with the fiscal court's policy.

Per the county clerk, he allows each employee to receive 12 sick/personal leave days per year, which complies with the fiscal court's policy. He only allows his employees to carry a maximum total of 30 days (240 hours) over into the next year. He also allows each employee to bank a maximum of six unused days (48 hours) for the year. Bank days can only be used in case of surgery, illness, or retirement. Any unused hours in excess of six bank days and hours that should be carried to the next year are lost.

Since the county clerk is not following the fiscal court's policy, his employees are not receiving the full benefits of being a county employee. The Taylor County Fiscal Court's *Personnel Policies and Procedure Handbook* states, "Employees hired prior to 7/1/11 may carry forward 968 hours of accumulated sick leave for retirement through Kentucky Retirement Systems. These hours will be used to extend the employees retirement date, wages and benefits from Taylor County Fiscal Court. At time of retirement any additional hours accumulated above the 968 will be forfeited."

We recommend the county clerk adhere to the Taylor County Fiscal Court's *Personnel Policies and Procedure Handbook* or implement his own written policy.

County Clerk's response: No response.

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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