



Auditor of Public Accounts  
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**FOR IMMEDIATE RELEASE**

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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 2019 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 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 comments:

**The Taylor County Clerk's Office lacks adequate segregation of duties:** This is a repeat finding and was included in the prior year audit report as Finding 2018-001. The deputy who prepares the daily checkout sheet also collects money, prepares the daily deposit, and posts to the ledger. The county clerk also performs these duties. Another deputy and the county clerk jointly prepare the quarterly financial reports. The county clerk prepares, signs, and posts all disbursements. The county clerk performs bank reconciliations. No reviews of any records, ledgers, or reports were documented.

The lack of segregation of duties occurred because the county clerk failed to segregate incompatible duties. According to the county clerk, the county clerk cannot hire additional

employees to allow segregation of duties due to budget limitations. The limited number of employees restricts how the county clerk can delegate duties. This deficiency increases the risk of misappropriation of assets, errors and inaccurate financial reporting.

Adequate segregation of duties over receipts, disbursements, and the reconciliation process would prevent the same person from having a significant role in these incompatible functions. The county clerk can implement oversight when duties cannot be segregated.

We recommend the county clerk segregate duties over receipts, disbursements, and reconciliations. If segregation of duties is not feasible due to lack of staff, we recommend the county clerk implement and document strong oversight over incompatible functions. The person providing this oversight should document his or her review by initialing all source documentation.

*County Clerk's Response: The official did not provide a response.*

**The Taylor County Clerk did not deposit funds intact daily:** This is a repeat finding and was included in the prior year audit report as Finding 2018-002. This finding has been included in the audit report since calendar year 2008. The Taylor County Clerk did not deposit all funds collected intact daily. The county clerk's daily checkout sheets show each day's cash on hand is different. In addition, the county clerk leaves the daily cash receipts overnight in the office and makes the deposit the next day. This practice would normally be acceptable; however, the cash drawers are housed in a wooden cabinet in a locked room.

This deficiency is allowed to occur because it is the county clerk's policy to only deposit larger cash bills and checks, leave all change and smaller cash bills for startup cash, and to keep the cash drawers in the locked room overnight.

As a result of not depositing funds intact daily, the county clerk is not in compliance with guidelines set forth by the state local finance officer and increases the risk of possible theft. Also, if a fire were to occur due to electrical wiring in the locked room, the wooden cabinet would be destroyed, along with all monies contained within. For the week tested, the following was noted:

- Receipts of \$95 were not deposited on June 24, 2019.
- Receipts of \$28 were not deposited on June 25, 2019.
- Receipts of \$65 were not deposited on June 26, 2019.
- Receipts of \$59 were not deposited on June 27, 2019.
- Additional receipts of \$252 were deposited on June 28, 2019.
- Receipts of \$75 were not deposited on June 29, 2019.

The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* recommends the minimum requirements for handling public funds pursuant to KRS 68.210. The manual requires "daily deposits intact into a federally insured banking institution". Good internal controls dictate 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 set amount in each of the cash drawers as startup monies each day. We also recommend the 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: The official did not provide a response.*

**The Taylor County Clerk did not adhere to the fiscal court's *Personnel Policies And Procedures Handbook* or implement his own written policy:** This is a repeat finding and was included in the prior year audit report as Finding 2018-003. 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 fiscal court's policy; however, sick leave balances were not in accordance with fiscal court's policy.

Per the county clerk, he allows each employee to receive 12 sick/personal leave days per year, which complies with 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 fiscal court's policy, his employees are not receiving the full benefits of being a county employee.

Taylor County Fiscal Court's *Personnel Policies and Procedures 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." Good internal controls dictate the county clerk follow either the Taylor County Fiscal Court's policy or implement his own.

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

*County Clerk's Response: The official did not provide a response.*

**The Taylor County Clerk did not have adequate controls over payroll:** This is a repeat finding and was included in the prior year audit report as Finding 2018-005. The Taylor County Clerk required full time deputies to maintain timesheets; however, the hours did not always reflect the actual hours worked by the employees for pay period tested.

- The county clerk allows deputies who work four hours on Saturday to have an eight hour day off during the same week and pays the employee double time for Saturday.

- Full time employees show they worked eight hours on their timesheets the day of the primary election. They were paid their regular pay rate on the eight hours and also received \$100 listed on the paycheck as “Election Bonus” for working the day of the primary election.
- Full time employees show they worked 10.50 hours on their timesheets the day of the general election. They were paid their regular pay rate on the eight hours and also received \$100 listed on paycheck as “Election Bonus” for working the day of the general election. Overtime was not calculated for this pay period. If overtime had been calculated, employees would have been overpaid \$100, \$39, \$40, \$30, \$53, \$63, \$18, and \$43.
- The county clerk paid employees in 31 instances in advance of end of pay periods during calendar year 2019. Employees were paid one day to 12 days in advance.

These deficiencies occurred due to the county clerk not having a written policy stating his office hours and work schedule. Also these deficiencies occurred due to the county clerk not adhering to the Taylor County Fiscal Court’s *Personnel Policies and Procedures Handbook* and state statutes. As a result of inaccurate timesheets, employees could be paid for more or less hours than actually worked especially if overtime is worked during elections.

Good internal controls dictate timesheets should be reviewed for accuracy by immediate supervisor and recalculated by someone other than the preparer after employees sign timesheets documenting hours worked. KRS 337.320(1) states, in part, “[e]very employer shall keep a record of: ... (b) The hours worked each day and each week by each employee[.]” KRS 337.285(1) requires employers to pay employees for hours worked in excess of forty hours in a work week at a rate of not less than one and one-half (1-1/2) times the hourly wage rate at which he is employed. In addition, the Taylor County Fiscal Court’s *Personnel Policies and Procedures Handbook* requires “employees should accurately record the time they begin and end their work” and non-exempt employees to “be paid at the rate of one and one-half their regular hourly rate of pay for all time worked in excess of 40 hours in any one workweek.”

KRS 45.340 states, in part, “[c]hecks shall be tendered to an officer or an employee only after he has completed the work for which he is being paid and not later than fifteen (15) days after the designated pay period...” In addition, the Department for Local Government’s (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* recommends the minimum requirements for handling public funds pursuant to KRS 68.210. The manual states “[n]o bonuses, no prepayment for goods or services, and no contributions. (Section 3, Kentucky Constitution)”

We recommend the following:

- All employees should prepare and sign a timesheet each period indicating the actual hours worked and any sick or vacation leave taken.
- The county clerk should adhere to fiscal court’s policy or implement his own written policy including his office hours and work schedule.
- The county clerk should not pay bonuses to employees.
- The county clerk should not pay employees before end of pay period.

*County Clerk’s Response: The official did not provide a 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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