



Auditor of Public Accounts
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Edelen Releases Audit of Floyd Clerk's Fee Account

FRANKFORT, Ky. – State Auditor Adam Edelen today released the audit of the 2014 financial statement of Floyd County Clerk Chris Waugh. State law requires the auditor to conduct annual audits of county clerks and sheriffs.

Recent changes in auditing standards require the auditor's letter to communicate whether the financial statement presents fairly the revenues, expenditures and excess fees of the Floyd County Clerk in accordance with generally accepted accounting principles in the United States. The report found that the financial statement of the Clerk 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 allow the prepayment of services. During our test of payroll, we noted several employees of the County Clerk's office were paid in advance before the work was performed. Some of the prepayments were authorized by the Clerk some were not. While reviewing the payroll records of the Clerk's bookkeeper for the issues noted in comment 2014-002 we discovered the bookkeeper had advanced her payroll checks 19 times out of the 24 pay periods without the authorization of the County Clerk. Some of the payroll checks were advanced as many as 22 days before the checks were to be distributed. The County Clerk's office prepares its payroll on a semi-monthly basis, meaning employees are paid on the 15th and 30th of each month. Payroll disbursements paid in advance before the work is performed is a violation of KRS 68.210 and section 3 of the Kentucky Constitution. The Clerk's authorization of advance payments and the lack of oversight allowed these prepayments to occur. The Kentucky

Department for Local Government (DLG), pursuant to KRS 68.210 and section 3 of the Kentucky Constitution, prohibit the prepayment of goods and services. We recommend the Clerk discontinue the practice of authorizing the advancement of payroll disbursements and comply with the above statutes.

County Clerk's response: No response.

The County Clerk's office lacks oversight over the payroll processing function. The Clerk's bookkeeper did not have health, life, and dental insurance totaling \$1,584 withheld from her pay. Based on the type of insurance coverage selected by the bookkeeper, certain amounts should have been withheld from the bookkeeper's pay check for health, life, and dental insurance for her part of the insurance premium to be paid to the County. Our review into this matter involved comparing what should have been withheld from the bookkeeper's payroll checks to what was actually withheld. Based on this review it was determined that the bookkeeper who prepares all payroll did not withhold \$1,584 from her pay, thus increasing her overall salary and reducing excess fees due the fiscal court. Due to the lack of internal controls and oversight over the payroll processing function payroll misstatements were allowed to go undetected. Good internal control procedures dictate that those who process payroll and have the ability to change payroll records should have strong oversight, and if possible, segregation of duties. This includes, but is not limited to, comparing withholdings and deductions to an authorizing document and the employee's payroll records on a sample basis, comparing hours calculated on time sheets to individual earnings records, and comparing net wages on payroll checks to the payroll journal when signing checks. The Clerk should document all reviews to show adequate oversight is occurring. We will refer this matter to the Attorney General's office and Kentucky State Police.

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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