



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

FRANKFORT, Ky. – State Auditor Adam Edelen today released the audit of the 2014 financial statement of Graves County Clerk Barry Kennemore. 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 Graves 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 Graves County Clerk should eliminate the \$3,767 deficit in his official fee account.

The Graves County Clerk has a deficit of \$3,767 for calendar year 2014 due to paying disbursements that did not have any supporting documentation or were not an allowable expense. The Graves County Clerk did not maintain supporting documentation for \$845 in credit card charges, and paid for \$2,922 on unreasonable or unnecessary items, such as food and fuel, from the official fee account.

These types of disbursements are not allowable based on Funk v. Milliken, 317 S.W.2nd 499 (KY 1958). Maintaining proper supporting documentation of expenses is essential for providing evidence of reasonableness and necessity for official use. Without proper supporting documentation, the disbursement is disallowed, resulting in reimbursement by the official to the

fee account for the disbursement. We recommend the Sheriff maintain proper supporting documentation of all fee disbursements. We also recommend the Sheriff implement control procedures to ensure the proper supporting documentation is present before a check is written for any disbursement. We recommend that the Graves County Clerk eliminate the deficit by depositing \$3,767 from his personal funds into his official fee account and then remit the \$3,767 to fiscal court as additional excess fees for calendar year 2014.

Graves County Clerk Barry Kennemore's response: "Have a letter from previous Judge Executive that says meals are actual cost. Also, the previous Judge was aware of the mileage and gas cost."

The County Clerk should require third party purchasers to register and remit a tax sale deposit in accordance with 103 KAR 5:180. Based on a review of the county clerk's procedures for accounting for third party purchasers' deposits for the delinquent tax sale, the county clerk allows third party purchasers to submit incomplete tax sale registration forms, and does not require third party purchasers to remit the required amount of deposit and any monies remitted for these tax sale deposits are not processed and recorded until after the tax sale date. 103 KAR 5:180 outlines procedures for the sale of certificates of delinquency by county clerks and requires third party purchasers to register with the county clerk office and remit a deposit of 100% of tax bills listed on the purchaser's priority tax bill list and 25% of the list of tax bills that the purchaser wishes to purchase at the tax sale plus any registration fees due to the county clerk's office. KRS 68.210 requires public officials to make timely deposits for all fees collected by their office. We recommend the County Clerk process third party purchasers deposits for tax bill purchases in accordance with 103 KAR 5:180 by depositing them in a timely manner as prescribed by KRS 68.210.

Graves County Clerk Barry Kennemore's response: "Graves County Clerk's office received blank signed checks from third party purchasers, however, clerk will change procedure next year."

The Graves County Clerk should strengthen internal controls over credit card expenses. The Graves County Clerk should implement control procedures to ensure that credit card charges are properly supported. The Clerk did not agree charges on credit card statement with the original receipt and to ensure the expense was authorized and for official business. This significant deficiency allowed disbursements noted in comment 2014-001 to occur. Good internal controls dictate that, proper supporting documentation of expenses evidences that the expense is reasonable and necessary for official use. We recommend that the Clerk strengthen internal controls over credit card expenses.

Graves County Clerk Barry Kennemore's response: "The County Clerk now has expenditures approved by the County Treasurer."

The Graves County Clerk should strengthen internal controls over accounting for customer charges. The Graves County Clerk allows certain customers to charge for services received at the clerk's office. For calendar year 2014 total charge business exceeded \$600,000. While performing auditing procedures for these transactions, it was noted that the Clerk did not account for individual account charges and subsequent collections posted to the Clerk's ledgers. This could lead to customers receiving services without settling the account. Accounts receivable are vulnerable to manipulation and should be accounted for by each individual

account and reconciled to the total account balance. Subsidiary ledgers are needed to account for these charges to ensure the correct amounts being reported. We recommend that the Graves County Clerk strengthen controls over accounting for these charges by developing a written policy regarding charges and maintaining subsidiary records for each customer that are reconciled to the Clerk's ledgers on a monthly basis.

Graves County Clerk Barry Kennemore's response: "Those charges are for businesses, car dealers, farmers, trucking companies with large fleet of vehicles, and all charges were paid. Clerk is working with bookkeeper to strengthen customer charges."

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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