



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

FRANKFORT, Ky. – State Auditor Adam Edelen today released the audit of the 2014 financial statement of Green County Clerk Billy Joe Lowe. 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 Green 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's Office lacks adequate segregation of duties over receipts and disbursements. During our review of internal controls, we noted the County Clerk's Office has a lack of segregation of duties over receipts and disbursements. The County Clerk prints the Point of Sales (POS) daily checkout sheet, prepares the daily deposits, prepares and signs checks, and posts to the receipt and disbursement ledgers. Furthermore, the County Clerk prepares all monthly and quarterly reports.

This condition is a result of a limited budget, which restricts the number of employees the County Clerk can hire or delegate duties to and it increases the County Clerk's risk of misappropriation of assets, errors, and inaccurate financial reporting.

Segregation of duties over receipts and disbursements or implementation of compensating controls, when needed due to limited staff, is essential for providing protection to employees in the normal course of performing their duties and can also help prevent inaccurate financial reporting and/or 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 recording and reporting of those receipts and disbursements.

We recommend the County Clerk strengthen internal controls by segregating duties now performed by him. If segregation of duties is not possible, due to a limited number of staff, compensating controls which provide strong oversight should be implemented. The employee providing this oversight should document his or her review by initialing source documents.

County Clerk's response: No response.

The County Clerk should maintain accurate receipts And disbursements ledgers and reconcile them to all monthly and quarterly reports. The County Clerk uses a point of sales system (POS) to issue receipts and compile the daily checkout sheets. The daily checkout sheets report a grand total for each receipt category. These totals are then entered into different computer systems which are used to prepare the receipts and disbursements ledgers and to compile various monthly and quarterly reports. The County Clerk reconciles motor vehicle taxes per the daily checkout to the state's AVIS system but does not reconcile the monthly or quarterly reports to the ledgers. The County Clerk's receipts and disbursements ledgers were not accurate and required numerous audit adjustments and reclassifications. As a result, the following exceptions were noted:

- During our testing of monthly reports, we noted that ten (10) out of the twelve (12) monthly reports for Affordable Housing Trust Fund (AHTF) fees did not agree to monthly receipt ledger totals. The yearly total posted to the receipts ledger was \$124 more than the yearly total posted to the disbursements ledger. Furthermore, the County Clerk requested a \$122 refund from the State for calendar year 2014 that he was not entitled to.
- A delinquent tax payment to the Sheriff was short \$100 and fire acres collected for one month were not remitted to the County.
- We also found one delinquent tax bill was left off the May 2014 delinquent tax report even though it was properly posted to the receipts ledger. As a result, additional amounts are due to the State, Sheriff, County Attorney, County, and other taxing districts.

Without an accurate receipts ledger the Clerk cannot ensure all receipts have been properly accounted for. If reports are not reconciled to the receipts and disbursements ledgers the Clerk cannot ensure proper amounts have been reported and paid to others. In addition, the risk that receipts could be misappropriated, or that fraud or theft could occur increases.

We recommend the County Clerk maintain accurate receipts and disbursements ledgers and reconcile all monthly and quarterly reports to them. This reconciliation can be documented by initialing and dating the reports and ledgers.

County Clerk's response: No response.

The County Clerk should strengthen controls over payroll. During the testing of payroll, we noted time sheets were not properly maintained. The following exceptions were noted:

- Four timesheets could not be located.
- Timesheets were not properly signed by the employee. Employees make a copy of the calendar filled out for the previous pay period after it is signed and dated. They complete the calendar for the second pay period; however, they do not re-sign and date the timesheet.
- Timesheets are signed before the end of the pay period and are not adjusted if necessary.
- Some of the tested timesheets were not signed by the County Clerk to indicate his review and approval.
- Some timesheets were altered; however, changes were not approved by the employee.
- There were three instances where hours paid did not agree to the timesheet. According to the individual earning record, a deputy was overpaid 8 hours on July 30th and underpaid 8 hours on October 15th. Also, there was a note on the December 15th timesheet stating owed 5 hours from November. However, there is no documentation on the November calendar to support this.
- We noted two timesheets for the same pay period for one employee. One timesheet reported 46 hours and one reported 44 hours. The days and hours differed on each timesheet. Per the individual earning record, the employee was paid for 46 hours.
- Leave balances were not tracked accurately. We compared the leave time used per employees' individual earnings records to leave time used per available time sheets. In 31 instances the hours on time sheets differed from the hours recorded on the Individual Earnings Records. In addition, leave time used by employees per the attendance calendars did not agree with the leave time reported on the time sheets.
- Based on available signed time sheets, three employees were paid a total of 20 hours more of vacation and 54 hours more sick time than they earned during calendar year 2014. However, since the leave hours reported on the time sheets did not always agree with the Individual Earnings Records or with the attendance calendars, we cannot be sure the amounts reported on the time sheets were accurate.

KRS 337.320(1)(a, b, c) requires that "every employer shall keep a record of: (a) The amount paid each pay period of each employee; (b) the hours worked each day and each week by each employer:

(c) and such other information as the executive director requires."

Since excess fees of the Clerk's office are ultimately paid to the fiscal court, this lack of proper payroll documentation and internal controls over payroll increases the risk that the county could

incur additional payroll liabilities. Additionally without accurate tracking of leave balances, there is an increased risk employees could be paid for sick and vacation time not earned.

We recommend the Clerk strengthen internal controls over the payroll process to ensure timesheets are accurately prepared and signed by all employees for each pay period, are reviewed, approved, and signed by the Clerk or his designee, and leave balances are accurately monitored.

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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