



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2015 financial statement of Carlisle County Clerk Michael Toon. 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 Carlisle 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 Carlisle County Clerk had \$100 of disallowed disbursements from his 2015 fee account. The following disbursements have been disallowed from the county clerk's 2015 fee account:

- A meal in the amount of \$20.
- A refund in the amount of \$80 from a hotel.

The Carlisle County Clerk follows the county's travel policy which states that individuals will be reimbursed \$50 per day for meals from the day the individual leaves and including the day the individual returns. The county clerk properly paid himself the \$50 daily per diem for his travel

expenses. However, due to the fact that he also reimbursed himself for the actual cost of the meal, the county clerk did not comply with the county's travel policy. Thus, the \$20 meal reimbursement has been disallowed.

The Carlisle County Clerk paid for a hotel stay with funds from the fee account. The hotel subsequently issued a refund in the amount of \$80. However, the refund was not deposited into the fee account. In accordance with Funk vs. Milliken, 317 S.W.2d 499 (Ky. 1958), Kentucky's highest court ruled that county fee officials' disbursements of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not primarily personal in nature. Given the fact that the \$80 was refunded, it was not a necessary or beneficial expense. Because the refund was not deposited back into the fee account, it has been disallowed.

Disallowed disbursements should be repaid with a deposit of personal funds; therefore, we recommend the Carlisle County Clerk repay \$100 from his personal funds to the Carlisle County Fiscal Court.

County Clerk's response: The hotel never sent a refund check so I was unable to deposit a refund ck. in the 2015 account. I contacted the mgr. and he issued me a check and I will forward said check to the fiscal court along with a personal check from myself for \$20.

Auditor Reply: The itemized hotel bill shows "Refund – Cash" totaling \$80 processed on July 3, 2015.

The Carlisle County Clerk has weak internal controls over timekeeping. The Carlisle County Clerk does not require employees to maintain formal timesheets. Instead, employees keep track of their time and attendance with the use of calendars. However, due to a lack of internal controls the calendars were not signed by the employees each pay period, and the county clerk did not document his approval of the employees' time. A lack of internal controls over timekeeping increases the risk of improperly compensating employees.

Strong internal controls over timekeeping are important to ensure that employees are being compensated for hours actually worked and that leave balances are being maintained and used in accordance with county policy. Therefore, we recommend the county clerk strengthen internal controls by requiring formal timesheets signed by employees each pay period. Also each pay period, the county clerk should review and document his approval of the employees' time by signing the timesheets. Approved timesheets should then be used to update and maintain employees' leave balances.

County Clerk's response: The official did not respond.

The Carlisle County Clerk's Office lacks adequate segregation of duties. The Carlisle County Clerk's Office lacks adequate segregation of duties over the accounting and reporting functions. Due to a limited number of staff and the diversity of operations, the county clerk is responsible for multiple tasks such as preparing weekly and monthly reports, preparing checks for disbursements, completing monthly bank reconciliations, and preparing quarterly reports.

Segregation of duties over these tasks or the implementation of compensating controls, when limited by the number of staff, is essential for providing protection against the misappropriation of assets and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the county clerk separate the duties involved in writing checks, preparing weekly and monthly reports, completing monthly reconciliations, and preparing quarterly reports. If this is not feasible due to lack of staff, cross-checking procedures could be implemented. Such procedures should be documented by the individual performing them.

County Clerk's response: The official did not respond.

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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