



Auditor of Public Accounts
Mike Harmon

FOR IMMEDIATE RELEASE

Contact: Michael Goins
Michael.Goins@ky.gov
502.564.5841
502.209.2867

Harmon Releases Audit of Perry County Clerk's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2019 financial statement of Perry County Clerk Wayne Napier. 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 Perry 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 comment:

The county clerk should require the depository institution to pledge or provide additional collateral of \$246,863 and enter into a written agreement to protect deposits: The county clerk should require the depository institution to pledge or provide additional collateral and enter into a written agreement to protect deposits. On June 10, 2019, the county clerk's deposits of public funds were uninsured and unsecured in the amount of \$246,863.

According to KRS 66.480(1) (d) and KRS 41.420(4), financial institutions maintaining deposits of public funds are required to pledge securities or provide surety bonds as collateral to secure these deposits if the amounts on deposit exceed the \$250,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC).

A lack of proper oversight resulted in a portion of the county clerk's deposits being uninsured and unsecured. The county clerk should require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

We recommend the county clerk enter into a written agreement with the depository institution to secure the county clerk's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A.1823 (e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

County Clerk's Response: The county clerk has been in contact with the financial institution to have this increased.

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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