



Auditor of Public Accounts  
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**FOR IMMEDIATE RELEASE**

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**Harmon Releases Audit of Ballard County Clerk's Fee Account**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2015 financial statement of Ballard County Clerk Lynn W. Lane. 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 Ballard 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 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 Ballard County Clerk's Office lacks adequate segregation of duties.** The Ballard County Clerk's Office lacks adequate segregation of duties over the accounting and reporting functions of the clerk's office. The county clerk is required to perform multiple tasks such as the collection of cash from customers, the daily bookkeeping function, preparation of weekly and monthly reports, bank reconciliations, and the preparation of checks for disbursements.

A lack of segregation of duties or strong oversight increases the risk that errors could occur and not be detected. This condition is the result of a limited budget, which restricts the number of employees the county clerk can hire or delegate duties to.

A proper 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.

To offset this lack of segregation of duties, the county clerk has implemented some compensating controls such as the comparison of daily reports to the deposit and initialing the deposits, all of which are documented in the county clerk's records. Although these compensating controls are in place, they are not sufficient to fully offset the lack of segregation of duties. We recommend the county clerk segregate the duties noted above by allowing different deputies to perform these functions. For those duties that cannot be segregated due to a limited number of staff, strong oversight should be provided to the employee or employees responsible for these duties.

*County Clerk's response: We continue to work on improving this process, but it is difficult because of the number of employees. I do not work on front line as often as I used to, but when needed.*

**The Ballard County Clerk did not maintain accurate receipts and disbursements ledgers.**

The Ballard County Clerk's receipts and disbursement ledgers were inaccurate and did not agree to the fourth quarterly financial statement. This is due to transactions being posted to the wrong account, not being recorded at all, or multiple checks being batched and posted as one transaction. Weaknesses, such as a lack of review of ledger postings and proper bank reconciliations, resulted in errors or misstatements on the county clerk's fourth quarterly financial statement and annual settlement of excess fees.

Maintaining accurate receipts and disbursements ledgers is needed in order to ensure accurate reporting of revenues and expenditures. Maintaining accurate receipts and disbursements ledgers also helps ensure that excess fees are properly paid over to the fiscal court.

We recommend the county clerk maintain complete and accurate receipts and disbursements ledgers, and perform a thorough review of the quarterly report by comparing it to the ledgers. Also, reconciling bank receipts and disbursements to the ledgers will provide assurance that the receipts and disbursements ledgers are accurate.

*County Clerk's response: Bank statements were reconciled monthly – credit card company credits my bank account making reconciling cumbersome. There were a few transactions posted incorrectly, but noted on ledgers – only “batched” transactions were those received after 12/30/15 these are documented but posted as 12/3/15 receipts and noted as such.*

**The Ballard County Clerk's Office has internal control deficiencies and non-compliances over timekeeping.** The following items were noted with the county clerk's timekeeping function:

- Hours worked were not properly documented on timesheets; therefore, overtime hours could not be determined.
- Employees were paid a one-time payment for accumulated overtime hours. Because hours worked were not properly documented on the employees' timesheets, this payment had the appearance of a year-end bonus to employees.

- Leave balances were not properly maintained.

Pursuant to KRS 337.320(1)(b), every employer is required to keep a record of the hours worked each day and each week by each employee. Also, according to KRS 337.285, “[n]o employer shall employ any of his employees for a work week longer than forty (40) hours, unless such employee receives compensation for his employment in excess of forty (40) hours in a work week at a rate of not less than one and one-half (1-1/2) times the hourly wage rate at which he is employed.” Additionally, under Section 3 of the Kentucky Constitution and the Department for Local Government’s *County Budget Preparation and State Local Finance Officer Policy Manual*, bonuses are not allowed.

Since the county clerk did not properly document hours worked by employees, she was not in compliance with KRS 337.320. This also resulted in the auditor’s inability to determine if the county clerk was in compliance with KRS 337.285. Strong internal controls over the timekeeping function ensure that employees are being properly compensated for the hours actually worked. Maintaining leave balances is another important control that ensures employees are receiving the time that they are due and that they are using leave in accordance with county and office policies. Furthermore, the failure to properly document overtime and the failure to maintain leave balances renders the county clerk susceptible to disputes regarding payroll and compensated leave.

We recommend the county clerk comply with KRS 337.320 and keep accurate timesheets for all employees. These timesheets should include all hours worked by the employee each day and should be signed by the employee and his/her supervisor. We also recommend the county clerk use these timesheets to maintain leave balances for all employees.

*County Clerk’s response: All employees are required to take vacation time every year – no carry overs – these are documented on their “individual earnings sheet” in a ledger. Timesheets were kept on employees, overtime kept on daily calendar employees signed document authorizing to be paid for overtime in December. They asked for this.*

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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