



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 2022 financial statement of Ballard County Clerk Katie Mercer. 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 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 findings:

**The Ballard County Clerk failed to properly account for and accurately report the fees and taxes of her office:** This is a repeat finding and was included in the prior year audit report as Finding 2021-001. The Ballard County Clerk did not maintain accurate and complete ledgers. Some items were posted twice while other items were not posted at all. The county clerk does not reconcile the ledgers to the bank activity accurately. And finally, the fourth quarter financial report did not agree with the ledgers nor was it reconciled to the bank account. The receipts were overstated by \$21,137 and disbursements were overstated by \$10,413.

The county clerk failed to implement control procedures to ensure amounts being recorded and reported were accurate and complete. A lack of familiarity with the accounting software also

contributed to some of the accounting errors. The county clerk's quarterly financial report required significant adjustments to accurately report fee receipts and disbursements for the calendar year.

Strong internal controls dictate that the ledgers be reconciled to the daily checkout sheets and the weekly and monthly tax reports to ensure all receipts and disbursements are properly accounted for and remitted to the appropriate authorities. Likewise, the ledgers should be reconciled to the bank statements each month. Furthermore, strong internal controls dictate that the ledgers be reconciled to the fourth quarter financial report to ensure that all receipts and disbursements are reported properly.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires accurate financial reporting. Fee officials use a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

We recommend the Ballard County Clerk implement daily, weekly, and monthly procedures to ensure amounts recorded are accurate and reconcile to bank activity.

*County Clerk's Response: Procedures are being streamlined to ensure that all amounts are accurately reconciled, daily, weekly, monthly, and quarterly. The audit revealed that in 2022 taxing districts were accurately paid and that the office collected monies accurately, the miscommunication was in the accounting software's ability to accurately reflect the reporting of this money.*

**The Ballard County Clerk's Office does not have segregation of duties:** This is a repeat finding and was included in the prior year audit report as Finding 2021-003. The Ballard County Clerk's Office does not have adequate segregation of duties over the accounting functions of the county clerk's office. The duties associated with the authorization of transactions, custody of cash, and recording of transactions are not properly segregated. Even though daily checkout procedures are performed by the deputy clerks on a rotating basis, the bookkeeper is still responsible for posting transactions to the ledgers, preparing the weekly reports, preparing checks, and reconciling the bank statements. The bookkeeper also works on the front line of the office and receives cash from customers. The county clerk reportedly reviews all the work performed by the deputies, however, there was no documentation of her review of the records.

According to the county clerk, 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 lack of segregation of duties or strong oversight increases the risk that errors or fraud could occur and not be detected.

A proper segregation of duties over the accounting functions or the implementation of compensating controls is essential for providing protection from errors occurring and not being detected. Additionally, a proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the Ballard County Clerk separate the duties involved in receiving receipts from customers, posting to the receipts and disbursements ledgers, preparing weekly reports, and performing monthly bank reconciliations. If, due to a limited budget, this is not feasible, cross-checking procedures should be implemented and documented by the individual performing the procedure.

*County Clerk's Response: With limited staff and budget, it is not possible to have complete segregation of duties. We do require accounting procedures to be cross-checked and are implementing a new balance sheet that will be helpful in this.*

**The Ballard County Clerk did not account for fees and taxes in the proper fee year:** This is a repeat finding and was included in the prior year audit report as Finding 2021-004. The county clerk did not account for fees and taxes in the proper fee years. Due to errors made, 2022 fees and taxes were accounted for in prior and future fee years. Furthermore, prior year liabilities were settled out of the 2022 fee account, and 2022 account liabilities were settled out of the 2021 account. Once combined, the 2023 year owes the 2022 year \$6,056. The 2022 year owes the 2021 year \$609.

The county clerk failed to notify state agencies the proper fee account information for automatic deposits and Automated Clearing House (ACH) payments for motor vehicle taxes. Also, the county clerk failed to implement control procedures to ensure fee receipts and disbursements are accounted for in the proper fee year. The financial statements and ledgers for fee account years were incorrect, as they included receipts and disbursements from past and future fee years. This increases the risk of misappropriation and could lead to overpaying or underpaying excess fees.

Good internal controls dictate that procedures be in place to ensure receipts and disbursements are properly accounted for in the proper period.

We recommend the county clerk implement control procedures to ensure that fee receipts and disbursements are accounted for in the proper fee account.

*County Clerk's Response: This is a carry-over from the previous audit that has been resolved and should not be an issue going forward.*

**The Ballard County Clerk failed to properly settle her 2019, 2020, and 2021 fee accounts:** This is a repeat finding and was included in the prior year audit report as Finding 2021-002. The Ballard County Clerk has not properly settled fees for years 2019, 2020, and 2021. Though the county clerk has paid all liabilities for those fee years, including excess fees, using her personal funds, there are still outstanding items to be collected, and bank accounts to settle.

The county clerk did not have qualified accounting staff who were trained on the uniform system of accounts set forth in the *County Budget Preparation and State Local Finance Officer Policy Manual* and failed to oversee the daily activities of her office.

The county clerk failed to accurately reconcile all accounts properly and remit excess fees after the prior year audits were complete. Additionally, the county clerk did not have proper internal controls

in place to ensure that the annual settlements were presented to the fiscal court and proper amounts of excess fees were paid timely.

Due to the lack of management oversight, the amounts due per the 2019, 2020, and 2021 audits were not collected, and liabilities were not properly paid. Failure to settle accounts timely increases the risk that misappropriation could occur, and has impacted current year financial accounts, as the fee account years became comingled.

Good internal controls dictate a documented review of the financial activity, which includes the settlement of fee accounts each year. KRS 68.210 authorizes the state local finance officer to implement a system of uniform accounts that sets the minimum requirements for the handling of public funds for government officials. Books of original entry for receipts and disbursements along with monthly bank reconciliations are included in these requirements. Receipts and disbursements ledgers should be prepared from source documents and should be updated daily. Receipts should be posted from daily checkout sheets, while disbursements should be posted from the actual checks and debit memos, if applicable. Monthly bank reconciliations should also be prepared and should include all receivables and liabilities for that month. Each month, the bank statement should be reconciled to the receipts and disbursements ledgers.

KRS 64.152(1) states, “[i]n counties containing a population of less than seventy-five thousand (75,000), the county clerk shall provide to the fiscal court by March 15 of each year a complete statement for the preceding calendar year of all funds received by his office in an official capacity or for official services, and of all expenditures of his office, including his salary, compensation of deputies and assistants, and reasonable expenses.” KRS 64.152(2) states, “[a]t the time of filing the statement required by subsection (1) of this section, the clerk shall pay to the fiscal court any income of his office, including income from investments, which exceeds the sum of his maximum salary as permitted by the Constitution and other reasonable expenses, including compensation of deputies and assistants. The settlement for excess fees shall be subject to correction by audit conducted pursuant to KRS 43.070 or 64.810, and the provisions of this section shall not be construed to amend KRS 64.820.”

Additionally, KRS 64.820(1) states, “[t]he fiscal court shall collect any amount due the county from county officials as determined by the audit of the official conducted pursuant to KRS 43.070 and 64.810 if the amount can be collected without suit.” KRS 64.820(2) states, “[i]n the event the fiscal court cannot collect the amount due the county from the county official without suit, the fiscal court shall then direct the county attorney to institute suit for the collection of the amount reported by the Auditor or certified public accountant to be due the county within ninety (90) days from the date of receiving the Auditor's or certified public accountant's report.”

We recommend the county clerk establish procedures to ensure an annual settlement is presented to the fiscal court as prescribed in KRS 64.152 and excess fees are paid at that time. We also recommend the county clerk collect all receivables and pay all liabilities for the 2019, 2020 and 2021 calendar years.

*County Clerk's Response: We are still trying to collect the monies owed from various taxing districts from previous audits. All requests have been made for repayment, currently all local taxing districts have reimbursed the Clerk's Office.*

**The Ballard County Clerk exceeded the budget for operating disbursements by \$17,157:** This is a repeat finding and was included in the prior year audit report as Finding 2022-005. The Ballard County Clerk's operating disbursements exceeded the approved budget by \$17,157. The Ballard County Fiscal Court approved the county clerk's budget for operating disbursements at \$207,250; however, the county clerk expended \$224,407 on operating disbursements during the calendar year. No budget amendments were presented for approval.

This was due to the county clerk failing to monitor the budget throughout the year. Because the county clerk failed to monitor the budget, the county clerk expended more to operate the clerk's office than what was approved by fiscal court. This resulted in less excess fees being turned over to the county.

The state local finance officer requires the fiscal court to approve a calendar year budget for each fee office as a component of the county's budget preparation process by January 15 of each year. Good internal controls include procedures to ensure disbursements are within approved budget amounts or budget amendments are requested as needed.

We recommend the Ballard County Clerk monitor the budget throughout the year by implementing procedures to ensure disbursements are within budgeted limitations. If any disbursements exceed the budget, the county clerk should request budget amendments, as necessary, from the fiscal court, before year end.

*County Clerk's Response: We did not present a budget amendment as we should have to edit our original budget. Budget Amendments will be submitted in a timely manner to the appropriate agencies to resolve this issue.*

**The Ballard County Clerk does not have adequate controls over employees' leave balances:** The Ballard County Clerk does not have adequate controls over employees' leave balances. The county clerk does not keep a ledger of leave balances for her employees. The county clerk also does not follow the fiscal court's leave policy and did not submit an alternative leave policy for her office to fiscal court.

The county clerk chose to operate her office in a less formal manor, and not keep a ledger for leave balances. According to the county clerk, she was unaware that the county clerk's office was required to follow the leave policy set by fiscal court. By not keeping a leave ledger or following the county's policy, there is a heightened risk of employees not being compensated correctly. Employees can take more time off than they are allotted or receive less time than they are entitled to.

Strong internal controls require accurate record keeping when it comes to payroll and leave balances. Leave balances should be reviewed with timesheets to ensure employees are receiving the correct leave. The Ballard County Fiscal Court approved a vacation and sick leave policy for

all county employees. This policy should be followed by the county clerk's office unless the county clerk submits her own policy to fiscal court.

We recommend the Ballard County Clerk keep a ledger of leave balances to ensure employees are getting the appropriate leave time. Also, we recommend the county clerk follow the fiscal court's leave policy or submit her own policy to the fiscal court.

*County Clerk's Response: Leave balance will be updated weekly for employees to be aware of the amount they have available and not just marked in the book for an employee to check before they submitted a request for leave.*

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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