



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 Daviess County Clerk's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2020 financial statements of Daviess County Clerk Leslie McCarty. 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 statements present fairly the receipts and disbursements of the Daviess County Clerk and the receipts, disbursements, and fund balances of the Daviess County Clerk's operating fund and county fund in accordance with accounting principles generally accepted in the United States of America. The clerk's financial statements did not follow this format. However, the clerk's financial statements are 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 internal control over financial operations and reporting.

The audit contains the following comments:

The Daviess County Clerk did not maintain accurate receipts and disbursements ledgers: The Daviess County Clerk's receipts and disbursements ledgers were not properly maintained for calendar year 2020. There were multiple items not accounted for on these ledgers and other items that were not properly classified. Differences of \$632,925 were noted on the receipts ledger and \$297,288 were noted on the disbursements ledger. Although the ledgers maintained were not accurate, the clerk's fourth quarter report was materially accurate. This was caused by the official and the bookkeeper's lack of knowledge of record keeping requirements for the clerk's office. During the year, the office switched computer systems and altered how they maintained their ledgers, which caused confusion on how items were being recorded.

By not maintaining a cumulative, ongoing receipts and disbursements ledger, there is nothing to document where quarterly amounts originated. Ledgers are a key part of the documentation for final accounting records.

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 receipts and disbursement ledgers be maintained and should agree with the submitted quarterly reports.

Good internal controls dictate that ledgers be maintained daily to ensure daily receipts are accounted for timely and appropriately, to ensure that disbursements are recorded and accounted for, and to provide a basis for bank reconciliations to ensure cash balances are accurately maintained.

We recommend the county clerk's office maintain accurate receipts and disbursements ledgers and that they are used to reconcile all accounts and are used to ensure accurate financials reports are submitted to the appropriate authorities.

County Clerk's Response: As stated in the comment, any issues in the receipts and disbursements ledgers reviewed by the auditor were resolved as "the clerk's 4th quarter report was materially accurate". The variance listed in the comment according to our exit was a result of our accounting department recognizing the receipts and disbursements involved with the Delinquent Tax Sale. We have since made changes to correct these issues with the ledgers with guidance from our auditor. Specifically, we will make adjustments to how we account for the tax sale in coordination with the auditor's recommendations to address the variance listed in the comment.

The Daviess County Clerk did not prepare timely and accurate bank reconciliations: The Daviess County Clerk's bank reconciliations that were prepared for most of the year were not prepared properly. There were multiple issues throughout the year reconciling balances to ledgers and ensuring that appropriate amounts were being transferred between accounts for credit cards and amounts being sent to the state for their pay-in vouchers. Due to the issues reconciling the accounts, over \$183,000 of corrections were made in the credit card holding account during February 2021, when it was determined where the funds were supposed to be transferred to.

These issues are partly due to the issues noted in Finding 2020-001. These errors were also caused due to a lack of controls over the reconciliation processes.

By not reconciling all bank accounts properly on a monthly basis, the clerk is unable to determine if all fees are being accounted for properly and if all payments have been made correctly to their state accounts.

Good internal controls dictate that reconciliations be performed accurately and on a timely basis in order to ensure accurate account balances are calculated for the accounts to ensure that appropriate amounts are available to pay out all appropriate vendors and agencies.

We recommend the county clerk prepare and maintain accurate bank reconciliations within a timely manner for all accounts maintained for her office.

County Clerk's Response: With regards to the bank reconciliations, we did transfers in 2021 to resolve issues from 2020. These issues were caused primarily by our Recording Department starting a new process of E-recording documents. We were one of the first in the State to start this process and have since learned a great deal over the course of the year. Our issues involved the Clerk's Office Credit Account where the E-Recording funds passed through in addition to credit card transactions. We have since created a better process to account for these transactions and transfer them in a timely manner; thus resolving future issues.

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](#).

###

The Auditor of Public Accounts ensures that public resources are protected, accurately valued, properly accounted for, and effectively employed to raise the quality of life of Kentuckians.

Call 1-800-KY-ALERT or visit our website to report suspected waste and abuse.

