



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2017 financial statement of Fulton County Clerk Betty Abernathy. 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 Fulton 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 internal control over financial operations and reporting.

The audit contains the following comments:

The Fulton County Clerk did not comply with KRS 61.874 for collecting fees for providing electronic records services: The county clerk has agreements with third parties for deed CDs. The clerk receives a flat fee of \$225 monthly from one third party company and a quarterly fee of \$375 from another third party company. The county clerk is not allowed to charge a flat fee for this service, the clerk can only recoup the costs as necessary. The clerk was unaware that she could not collect these fees. The clerk is not in compliance with KRS 64.410 and KRS 61.874.

Per KRS 64.410 and case law interpreting it, a clerk may not charge or receive a fee for a service the clerk provides unless that fee is expressly authorized by statute. KRS 61.874 expressly allows the clerk to collect a reasonable fee for providing public records in an electronic format. However, this

statute only allows a fee for recovering costs associated with providing these records and does not allow clerk's office to profit from this activity.

We recommend the clerk review costs of providing electronic records to commercial agencies and document the costs associated to support whether these costs are reasonable with the fee being charged.

County Clerk's Response: Fulton County Clerk has notified third party companies that Fulton County Clerk's office will discontinue providing electronic records.

The Fulton County Clerk's Office lacks adequate segregation of duties: According to the county clerk, her duties include making deposits, preparing and signing checks, posting transactions to the receipts and disbursements ledgers, and preparing quarterly reports. The county clerk has some compensating controls in place to reduce effects of the control deficiency. These compensating controls include the clerk initiating one of her deputies to maintain receipts and disbursements ledgers in software by using the original source documents to input information. The clerk maintains a manual ledger. According to the county clerk, she and the deputy reconcile to each other on a monthly, quarterly, and annual basis. However, there was not sufficient evidence to document that the county clerk and the deputy clerk periodically review invoices, ledgers, reconciliations, and reports to offset the risk caused by the lack of segregation of duties.

The county clerk failed to document compensating internal controls that would reduce the risks from the lack of segregation of duties to an acceptable level. The lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting.

Segregation of duties 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 segregate incompatible duties or implement and document compensating internal controls over disbursements, ledger preparation, reconciliation processes, and financial statement preparation.

County Clerk's Response: When segregation of duties was first requested by auditors several years ago, I employed a part time employee to solve the problem. She and I sign the daily checkout sheet after one of us prepares it and the other checks it. She post all daily receipts and expense in [software] and I prepare and post in general ledger. At the end of the month, we compare totals in each category. We do the same with bank reconciliations, payroll, monthly reports, quarterly reports. [Software] records are printed and filed after she and I compare quick books to my general ledger totals.

As requested by the auditor, we are now initialing each other's accounting, bank reconciliation, payroll reports, monthly reports, and quarterly reports after totals are compared.

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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