



Auditor of Public Accounts  
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### **Harmon Releases Audit of Graves County Clerk's Fee Account**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2020 financial statement of Graves County Clerk Kim Gills. 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 Graves 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 Graves County Clerk's fourth quarter financial report was significantly misstated:** This is a repeat finding and was included in the prior year audit report as Finding 2019-001. The county clerk's fourth quarter financial report was significantly misstated by \$261,326. The county clerk omitted transactions occurring after the end of the year but related to the fee year, such as motor vehicle taxes, delinquent taxes, and tangible taxes. The county clerk also missed accounting for grant funds received and expended during the year. The fourth quarter financial report did not include \$53,208 in receipts or \$314,534 in disbursements for calendar year 2020. Due to not including transactions occurring after the end of the year, the fourth quarter financial report submitted to the Department for Local Government (DLG) was significant misstated and also resulted in excess fees due to the fiscal court being overstated by \$261,326. The county clerk did

not realize she should be reporting transactions after the end of the year on the fourth quarter financial report.

Good internal controls include procedures to ensure financial reports are complete and accurate. Financial reports should agree to the ledgers and be reconciled to the bank.

Additionally, the form required by DLG as shown in the *County Budget Preparation and State Local Finance Officer Policy Manual* includes reporting transactions related to the fee year that occur after the end of the year, columns on quarterly report labeled accounts receivable should be used for deposits made after the end of the year and unpaid obligations should be used for disbursements made after the end of the year, especially distributions for December tax collections. This is not an over/under budget column.

We recommend the county clerk prepare a complete and accurate fourth quarter financial report by utilizing the accounts receivable and unpaid obligations columns on the quarterly financial report for items occurring after the end of the year..

*County Clerk's Response: The bookkeeper was not aware that any sums that became due in January 2021 for obligations as a result of transactions that took place in December 2020 were to be included on the 4<sup>th</sup> Qtr budget submitted to Fiscal Court. It has been explained that these amounts are to be listed in the accounts receivable column on the 4<sup>th</sup> Qtr budget. However, the bookkeeper did provide a copy of a budget submitted and approved by Fiscal Court on February 8<sup>th</sup> to the auditor, which did include the misstated amounts.*

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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