



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2017 financial statement of Hart County Clerk Lisa Hensley Sanders. 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 Hart 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 comment:

The Hart County Clerk did not have adequate internal controls over cash back transactions and daily checkout procedures: This is a repeat finding that was included in the prior year audit report as Finding 2016-002. The Hart County Clerk's Office processed \$21,999 in cash credits during calendar year 2017. Cash credits on the county clerk's software system result from cash refunds for overpayments received by check. The county clerk's office issues cash back from checks for overpayments instead of issuing a refund check.

Some cash credits are valid as a result of the county clerk's procedures. The county clerk requires title lien fees of \$22 or \$24 if late, to be refunded in cash when collected on the same check at the time of the vehicle transfer. The cash is then taken to the recording department to process. By

entering the correct amount of the check, cash and checks per daily checkout sheets agree to the deposit tickets.

Weekly receipts testing during the week of December 4, 2017 through December 9, 2017 revealed \$332 in cash credits processed on the daily checkout sheets. Of this amount, \$18 was for overpayments that lacked documentation of being returned to the customer, \$106 was an overpayment which was documented by a signed receipt, and \$208 appeared to be for title liens. Documentation was verified for all title lien transactions except two, which totaled \$46.

The lack of adequate review of daily checkout sheets resulted in the county clerk's office not verifying the cash back credits on the deputies' cash register reports. In addition, the county clerk's office procedures allow for cash back transactions to process real property recording fee transactions.

The county clerk's practice of allowing cash refunds resulted in an increased risk of undetected asset misappropriation. Prior year auditors found a former deputy clerk overcharged customers and personally took the overpayment instead of issuing a refund.

The Department for Local Government *County Budget Preparation and State Local Finance Officer Policy Manual* states, "[d]isbursements by check only." Good internal controls dictate refunds for overpayments should be issued in the form it was originally received.

We recommend the county clerk implement adequate internal control procedures over the daily cash drawer process and daily checkout procedures. We also recommend the county clerk's office issue checks for all overpayments to ensure proper documentation and authorization and refrain from issuing cash for overpayments received by check.

County Clerk's Response: This was due to a former employee who took money from customers. Since finding this last year I have started checking the cash back daily and the deputies are balancing the drawers out different with each other balancing the other ones cash drawers.

Auditor's Reply: We strongly advise the clerk to stop the practice of allowing cash refunds when payments are made by check.

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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