



Auditor of Public Accounts  
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**FOR IMMEDIATE RELEASE**

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**Harmon Releases Audit of Lee County Clerk's Fee Account**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2016 financial statement of Lee County Clerk Kim Noe. 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 Lee 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 county clerk's office lacks adequate segregation of duties:** This is a repeat finding and was included in the prior year audit report as Finding 2015-001. According to the county clerk, due to the entity's diversity of official operations, small size, and budget restrictions, the Lee County Clerk has limited options for establishing an adequate segregation of duties. The county clerk employs a part-time bookkeeper that completes all bookkeeping functions such as all posting to the ledgers, preparing the compilation of daily checkouts, preparing the daily deposits, preparing all checks, preparing all reports except the weekly reports for usage and license, reconciling the bank statements and preparing the financial statements.

Good internal controls dictate one employee should not have control over all of these duties. This could result in misappropriation of assets and inaccurate financial reporting to external agencies.

The county clerk prepares the weekly reports for usage and license. She agrees each report to the ledgers but does not initial the supporting documentation. The county clerk does not have an independent individual review reports, checks, or the disbursements ledger. In order to improve controls, we recommend the county clerk implement the following:

- The county clerk should require the deputy clerks to count each other's cash drawers.
- The county clerk should reconcile monthly reports to the ledgers for receipts and disbursements. This can be documented by initialing the ledgers and the monthly reports.
- The county clerk should review the bank reconciliation and agree it to the ledgers. This can be documented by initialing the bank reconciliation.
- The county clerk should review the financial statements and agree them to the ledgers and bank reconciliations. This can be documented by initialing the financial statements.

*County Clerk's Response: Due to size of office and budget for employees we cannot segregate duties.*

Auditor's Reply: The Clerk should implement compensating controls such as those recommended above in order to offset the lack of segregation of duties.

**The county clerk did not timely prepare franchise bills totaling \$43,430:** The county clerk did not prepare 24 franchise tax bills totaling \$43,430 timely. These franchise bills were certified by the state during 2014, 2015, and early 2016. However, the county clerk did not present these bills to the sheriff until March 30, 2017. The county clerk should prepare franchise bills upon receipt of the state assessment certification and promptly give the bills to the sheriff to mail. The portion of unbilled franchise taxes for each taxing district is listed below:

County	\$17,609
School	\$11,972
Library	\$ 6,693
Health	\$ 1,859
Extension	\$ 5,042
Soil	\$ 255

The county clerk failed to perform this duty of timely preparing franchise tax bills and submitting them to the sheriff to collect, and as a result, the county, school, and other taxing districts did not receive the tax revenues to which they were entitled. These tax districts rely on the timely receipt of tax revenues. Controls were not in place to ensure that franchise tax bills were prepared and submitted to the sheriff in a timely manner.

We recommend the county clerk prepare any franchise tax bills that have not yet been prepared and ensure franchise bills are prepared and submitted timely to the sheriff in the future.

*County Clerk's Response: Due to bills being sent to wrong email address and encrypted the clerk's office did not prepare or give tax bills to sheriff in a timely manner.*

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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