



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2019 financial statement of Madison County Clerk Kenny Barger. 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 Madison County Clerk and the receipts, disbursements, and fund balances of the Madison 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 the internal control over financial operations and reporting.

The audit contains the following comment:

The Madison County Clerk does not have adequate internal controls over the daily receipt process: This is a repeat finding and was included in the prior year audit report as Finding 2018-001. The Madison County Clerk discovered that two employees manipulated the payment type on receipts when entering collections into Kentucky Automated Vehicle Information System (KAVIS). These employees were changing payment types, ensuring their drawers closed out each day without an overage or shortage; therefore receipts were not deposited intact daily and overages/shortages were not properly reported. Further, these employees retained cash/tips in their desk drawers.

Adequate internal controls were not place to ensure deposits be made intact daily and that overages/shortages were posted to the receipts ledgers. The clerk was not privy to KAVIS reports that would alert him of these types of alterations. As a result of the weaknesses noted, the employees were able to manipulate records which altered reports, changed overages/shortages in the daily collections, and increased the risk of fraud or misappropriations.

Strong internal controls dictate that checkout procedures be performed daily and that management provide strong oversight of daily operations. In addition, KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* requires making daily deposits intact into a federally insured banking institution.

Per the clerk's *Employee Policy Manual* for gifts and gratuities, "No employee may accept personal gifts, gratuities or other items from customers, vendors, a person or company doing business or seeking to do business with the Office of the County Clerk. Acceptance of gift of cash or gift cards is prohibited. Non-cash office gifts given during business hours shall be placed in a location available for all employees to use. No gift shall exceed the legal limit of \$25 per person per office location. Employees who accept personal gifts or gratuities will be subject to disciplinary action up to and including termination."

We recommend the clerk implement internal controls to ensure that funds are deposited intact daily, including customer tips, and that all overages/shortages are handled properly.

County Clerk's Response: Our office maintains strong internal controls. As a result, we were able to find that the two employees were manipulating their cash drawers and transactions. The employees were terminated because of the findings. We updated the employee manual to clearly state that force balancing, and cash drawer manipulation will not be tolerated. We also updated the financial procedures manual that each employee must follow. Both manuals are signed by the employees stating they understand and will follow these procedures. Our office has also suggested that KAVIS develop a daily report which will allow the bookkeepers to see when a deputy clerk changes a form of payment on a transaction. KAVIS team has contacted our bookkeeping staff and are working on additions to deputy clerk's daily reconciliation.

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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