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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2015 financial statement of former Powell County Clerk Rhonda A. Barnett. 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 former Powell 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 controls over financial operations and reporting.

The audit contains the following comments:

The former county clerk failed to maintain adequate controls over payroll processing to ensure accuracy. The former county clerk's office lacked internal controls over timesheet processing. Review procedures were in place; however, they were not adequately performed to eliminate or reduce errors. Not all employees were required to submit timesheets and one employee was paid outside the payroll system without deductions taken from paychecks. The lack of adequate review over payroll records and compliance with applicable laws led to multiple issues.

As a result of inadequate controls, the auditor noted the following:

- One employee was paid as contract work; however, the employee is essentially part time and should have received a W-2.
- Timesheets did not reflect overtime worked; however, we found four instances totaling $190 of payments to employees outside of the payroll system which was for overtime and no deductions were taken.
- One salaried employee did not turn in a timecard but was paid her regular pay.

KRS 141.335 requires that employers who deduct and withhold from an employee a tax under KRS 141.310 or 141.315, shall furnish employees with a written statement that includes the total amount of wages and deductions withheld.

KRS 337.320(1) states "[e]very employer shall keep a record of: (a) The amount paid each pay period to each employee; (b) The hours worked each day and each week by each employee; and (c) Such other information as the commissioner requires." Section (2) requires that "[s]uch records shall be kept on file for at least one (1) year after entry. They shall be open to inspection. . .at any reasonable time, and every employer shall furnish to the commissioner or the commissioner's authorized representative on demand a sworn statement of them."

KRS 337.285(1) states, "[n]o employer shall employ any of his employees for a work week longer than forty (40) hours, unless such employee receives compensation for his employment in excess of forty (40) hours in a work week at a rate of not less than one and one-half (1-1/2) times the hourly wage rate at which he is employed."

We recommend the county clerk's office strengthen controls over payroll and ensure compliance with applicable laws and regulations. All employees should be required to submit timesheets detailing hours worked per day. Any employee working over 40 hours should be paid overtime, and it should be processed with regular payroll.

Former County Clerk's response: Clerk improved control over payroll.

The former county clerk failed to maintain adequate controls regarding oversight and review of daily functions. The former county clerk failed to maintain adequate oversight and review of daily office functions during calendar year 2015. Timely review and reconciliation was not performed resulting in multiple issues such as various inaccuracies in financial reporting and late bills. The former county clerk failed to provide adequate oversight and review of daily work to ensure accuracy. Reconciliations on all accounts were not performed timely and accuracy of work was not confirmed by the former county clerk. As a result of inadequate review and reconciliation, the former county clerk's usage account had deposit errors and corrections totaling $17,419 during the year.

We found three months where a lease payment was not made on a copier and other months there would be multiple payments. Good internal controls dictate that strong supervisor review and oversight can reduce the risk of misstatement and uncorrected errors. We recommend the county clerk's office strengthen controls over daily work by providing a strong oversight and review process. This review should include reviewing daily work, payment of daily expenditures on time, review of bank statements/bank reconciliations, and providing a strong presence within the office.

Former County Clerk's response: Lack of funds prohibit adequate staff for daily oversight. Errors are corrected, however it is sometimes later in the month.

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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