



Auditor of Public Accounts  
Mike Harmon

FOR IMMEDIATE RELEASE

Contact: **Michael Goins**  
[Michael.Goins@ky.gov](mailto:Michael.Goins@ky.gov)  
502.564.5841  
502.209.2867

### **Harmon Releases Audit of Campbell County Clerk's Fee Account**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2021 financial statement of Campbell County Clerk Jim Luersen. 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 and disbursements of the Campbell County Clerk and the receipts, disbursements, and fund balances of the Campbell 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 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 comments:

**The Campbell County Clerk is not properly handling delinquent tax sale deposits:** The county clerk is not collecting deposits by third party purchasers of delinquent tax certificates. The county clerk allows third party delinquent tax purchasers to provide a blank check in lieu of a check worth 25% of the sum value of delinquent tax bills they desire to purchase. When the county clerk receives these blank checks, he locks them in a safe until the date of the tax sale. Once the third party purchases delinquent taxes on the date of the sale, the county clerk completes the blank check for the total amount owed. The county clerk was not aware that a deposit check needed to be deposited and cleared in a bank account to follow deposit requirements.

The county clerk is not in compliance with statutes and regulations related to the collection of advanced deposits from third party purchasers of delinquent tax bills. KRS 134.128 gives the Department of Revenue the authority to “promulgate administrative regulations to establish a process for the purchase and sale of certificates of delinquency to third parties.” 103 KAR 5:180 Section 3(2) states in part, “[a] third party purchaser's registration shall include...[t]he deposit required by the county clerk pursuant to Section 4 of this administrative regulation.” 103 KAR 5:180 Section 4(4) states in part that “[t]he county clerk shall: (a) Accept payment of the deposit in a method of payment that complied with KRS 134.126(1)(b).” KRS 134.126(1)(b) states in part that “[t]he county clerk may limit the acceptable methods of payment to those that ensure that the payment cannot be reversed or nullified due to insufficient funds.”

We recommend the county clerk require third party delinquent tax purchasers to provide a check worth 25% of the sum value of delinquent tax bills they desire to purchase as stated in Section 4 of 103 KAR 5:180. Further, we recommend the county clerk deposit all delinquent tax sale deposits in the bank when received to ensure compliance with relevant statutes and regulations.

*County Clerk's Response: This office created the deposit method used to handle the delinquent tax sale. It was ascertained that companies purchasing tax bills would have more flexibility to buy more tax bills if we could fill in the amount of the purchase after the tax sale by suppling our office with a blank check. Starting with the 2023 tax sale tax sale we will require deposits 25% of every bill wishing to be purchased to be deposited before the sale. This might hinder the amount of bills sold which will have a negative impact on our schools, libraries, health department and firehouses, but until the legislature changes the law those entities will just have to suffer.*

**The Campbell County Clerk has inadequate internal controls over receipts:** The Campbell County Clerk has inadequate internal controls over receipts in that:

- employees are sharing cash drawers,
- cash shortages are not being accounted for,
- daily checkout sheets are not documenting the subtotal amounts of receipt payment types, and
- receipt accounts are not properly classified on the fourth quarter report.

Employees in the recording section of the county clerk's office are using shared cash drawers. All section staff, including the section supervisor, are accepting receipts at shared terminals and using shared cash drawers. These drawers are spot counted throughout the day as time and business flow allows. At the end of each business day, the drawers are counted by an assistant and reconciled by the section supervisor.

A test of daily check-out sheets found the motor vehicle section had a cash shortage that was manually noted on the daily receipts ledger printout, but not recorded in the accounting software for the general ledger or point of sales system (POS). Also, this shortage was not recorded in the personnel file of the staff member assigned to the cash drawer that was short. A test of the daily check-out sheets found the recording section daily check-out reports did not include subtotals for

payment types (i.e., cash, check, credit card, and accounts receivable) received to trace to deposit slips. A confirmation of payments received by an outside agency found that the receipts ledger accounts were not being properly classified on the fourth quarter report. Further investigation revealed the coding in the receipts ledger accounting software is not programmed to classify accounts consistent with the training provided to the bookkeeping staff.

When access to a cash drawer is not restricted to an individual, no one individual can be held accountable for the proper accounting of funds in that drawer. This lack of direct accountability is also inconsistent with the county clerk's funds accountability in his policies and procedures manual. Not recording cash shortages and overages in the general ledger is a failure to record accurate financial information and prevents management from monitoring the effectiveness of internal controls. In addition, by not recording the occurrence of a cash drawer overage or shortage in the file of the employee assigned to the drawer, the county clerk is not enforcing his own personnel policies. Not providing subtotals for payment types make it impossible to compare to deposit slips for compliance with cash management requirements. Inaccurate account classifications on financial statements diminish their usefulness for stakeholders.

Strong internal controls dictate oversight and procedures to ensure accountability for public funds. This includes restricting access to cash drawers to single individuals. The Campbell County Clerk's Policies & Procedures Manual, Funds Accountability section states in part, "[e]mployees are expected to be accountable for the balancing of their funds at the close of business each day. Any variance between what should have been collected or distributed for a transaction...that causes an overage or accumulated amount in the cash drawer is a violation of this policy." This section further states, "[d]epartment managers are required to keep records of all funds accountability violation in their department." KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual*, page 64 requires daily deposits to be made intact. This requires cash and checks received per the POS or daily check-out sheet to agree to the deposit slip. Strong internal controls dictate accurate financial statements to ensure their usefulness for stakeholders.

We recommend the Campbell County Clerk strengthen internal controls over receipts by:

- assigning each cash drawer to an individual staff member,
- recording any cash drawer overages or shortages in the receipts ledger and the personnel file of the individual assigned to the drawer,
- including in daily check-out reports subtotals for the payment types received, and
- working with the general ledger accounting software vendor to update account coding and train bookkeeping staff accordingly.

*County Clerk's Response: We will limit cash drawers to single individuals. We will document overages and shortages in a receipt's ledger and personnel file. We will work with our software vendor to update account coding and incorporate those into our reports. We will do deposits to reflect cash and checks as set forth in the POS.*

**The Campbell County Clerk has inadequate internal controls over payroll:** The Campbell County Clerk has inadequate internal controls over payroll in that payroll amounts were not included on the fourth quarter report and the payroll budget was overspent. The county clerk's bookkeeping staff has not been entering the payroll distributions made through the Kentucky Human Resource Information System (KHRIS) in their general ledger software. These omitted distributions totaled \$1,790,323, a material amount. The county clerk has been monitoring the payroll distributions made through KHRIS in a separate spreadsheet that does not include miscellaneous employee insurance not paid out by the KHRIS system, resulting in ineffective monitoring of payroll related disbursements. The county clerk's fourth quarter report is incomplete and the county clerk overspent the payroll budget by \$14,001.

Strong internal controls dictate accurate financial statements to ensure their usefulness for stakeholders. KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* provides a template for county clerk's financial statements beginning on page 36. This form includes disbursements for official expenses including personal services and employee benefits. KRS 64.345(5) states in part "[i]n ...counties with a population of seventy thousand (70,000) or more, the number of deputies and assistants allowed to each officer and the compensation allowed to each deputy and assistant shall be fixed at reasonable amounts upon motion of each officer by the fiscal court by an order entered upon the fiscal court order book no later than January 15 of each year."

We recommend the Campbell County Clerk strengthen internal controls over payroll by entering all disbursements, including payroll amounts made by the state on their behalf, on the ledger and quarterly reports. We also recommend the county clerk monitor all payroll expenses to ensure the budget is not overspent and request budget amendments from the fiscal court when needed.

*County Clerk's Response: We will work with our software vendor to get better internal control over our payroll. This should enable us to include payroll amounts made by the state on our behalf and be incorporated into our ledger and quarterly reports. This will also enable us to include payroll amounts on our Fourth Quarter budget which should enable us to better monitor our payroll so as not to exceed our budget. Deputies and assistant's compensation will be recorded with the Clerk's budget.*

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](#).

###

*The Auditor of Public Accounts ensures that public resources are protected, accurately valued, properly accounted for, and effectively employed to raise the quality of life of Kentuckians.*

*Call 1-800-KY-ALERT or visit our website to report suspected waste and abuse.*

