Auditor of
Public Accounts
Allison Ball

Lincoln County Clerk's
Fee Account Audit

FRANKFORT, Ky. – State Auditor Allison Ball released the audit of the 2024 financial statement of Lincoln County Clerk Nancy Jackson. 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 Lincoln 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.

Finding: The Lincoln County Clerk Lacks Adequate Segregation Of Duties

This is a repeat finding and was included in the prior year audit report as finding 2023-001. The county clerk's office lacks adequate segregation of duties over receipts, disbursements, and reconciliations. Deputies collecting receipts also reconcile cash drawers, prepare daily checkout sheets and deposit tickets, and posts to the receipts ledger. The bookkeeper can issue checks, post to the disbursements ledger, and reconciles the bank account.

Recommendations

We recommend the county clerk segregate the duties of accounting functions. If segregation of duties is not feasible due to lack of staff, we recommend the county clerk implement and document compensating controls to offset this control deficiency.

County Officials Response

County Clerk's Response: We have met with an outside former auditor who is helping us develop an SOP written plan to address the auditor's concerns

Finding: The Lincoln County Clerk Lacks Internal Controls Over Financial Reporting

The Lincoln County Clerk lacks adequate internal controls over financial reporting. During testing, the following deficiencies were noted:

• The financial statement prepared by the county clerk did not agree to receipt and disbursement ledgers. Receipts were misstated by $79,056 and disbursements were misstated by $5,792.

• The financial statement for calendar year 2024 included receipts $1,209 and disbursements of $5,615 relating to 2023 activity.

• A payment of $19,670 from fiscal court was deposited directly into the revolving payroll account instead of the fee account.

• Payroll transfers did not agree to payroll summary reports, resulting in the payroll account being overdrawn seven times during the calendar year.

• $57,057 in duplicate motor vehicle payments were processed resulting in overstatement of receipts and disbursements.

• Monthly delinquent tax reports were not reconciled to the receipts ledger prior to remitting payments to taxing districts. The monthly reports did not agree to the receipts ledger for six out of twelve months, resulting in an unknown variance of $7,315.

• Quarterly deed transfer tax reports were not reconciled to the receipts ledger prior to remitting payment to the fiscal court. Deed transfer tax of $117,574 was owed for calendar year 2024; however, only $93,046 was remitted to the fiscal court, resulting in an underpayment of $24,528.

Recommendations

We recommend the county clerk strengthen internal controls by ensuring transactions are recorded accurately and in the correct year, all funds are deposited into proper accounts, payroll transfers are reviewed to prevent overdrafts, all disbursements are accurate, and all monthly and quarterly reports are reconciled to the receipts ledger for accuracy before remitting payments to appropriate entities.

County Officials Response

County Clerk's Response: In 2024 the clerk's office went into new accounting software and six months had to be integrated by hand from a prior program. The new system had to be adjusted much like the KAVIS system when it went into service. For instance, the new system failed to integrate e-filings into the deed transfer tax report causing transfer tax to reflect short in 2024. The funds did go to fiscal court as excess fees, but was not discovered timely. All categorization and reporting errors were fixed in 2025. We now utilize the checks and balances in our software and new features are added regularly to assist clerks.

Finding: The Lincoln County Clerk Failed To Follow The Administrative Code Regarding Sick Leave Payment

The Lincoln County Clerk paid an employee for accumulated sick leave in violation of the administrative code. The Lincoln County Clerk follows the administrative code of the Lincoln County Fiscal Court. One employee was permitted to utilize accumulated sick leave instead of working. This employee was paid for 35 days of sick leave between January and April 2024 and an additional three days of wages were paid to the employee without utilizing any type of leave.

Recommendations

We recommend the county clerk consult with the fiscal court and the county attorney to determine how to resolve the questionable cost and to determine if repayment should be made. Also, we recommend they follow the adopted policies and procedures on the use of leave time.

County Officials Response

County Clerk's Response: The long serving employee who did not return to the office after this clerk came in (11/13/2023) was treated the same as previous employees who retired under the 3 prior county clerks she worked for; and fiscal court was aware of the extenuating circumstances created by prior clerks. This clerk wrote a personnel policy handbook in 2024 which addresses how or if unused sick and vacation time will be compensated and it is limited now.

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.