



**Auditor of
Public Accounts
Allison Ball**

Caldwell County Clerk's Fee Account Audit

FRANKFORT, Ky. – State Auditor Allison Ball released the audit of the 2024 financial statement of Caldwell County Clerk Jennifer Hale. 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 Caldwell 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: Is not properly managing the duties of her office.

The Caldwell County Clerk is not fulfilling her duties as an elected official. We have noted the following deficiencies and noncompliances in the subsequent findings.

- The Caldwell County Clerk did not properly submit her 2024 fourth quarter financial report or settle 2024 excess fees.
- The Caldwell County Clerk has material weaknesses over the recordkeeping and reporting functions.
- The Caldwell County Clerk lacks adequate segregation of duties over disbursements and the reconciliation process.
- The Caldwell County Clerk did not properly distribute tangible personal property taxes.
- The Caldwell County Clerk does not have a written agreement to protect deposits.

Recommendations

We recommend the county clerk take immediate action to remedy the issues outlined in these findings and recommendations. Further, we recommend the county clerk implement policies and procedures for her office to ensure these issues are corrected for future periods.

County Officials Response

County Clerk's Response: I agree with the auditors' summation of my shortcomings. I have been neglectful of my duties, especially in my financial reporting, due to spending entirely too much time in the motor vehicle department helping customers. I am now concentrating on my duties as clerk. I have made it clear to my employees that they are going to have to deal with customers themselves. I cannot complete my duties correctly or in a timely manner if I am not allowed to remain in my office and maintain concentration. My employees are great and I am working to make sure I explain and demonstrate all the actions they are required to perform. I am also working diligently to overcome these weakness' by becoming more organized. I have made lists of all the duties that I must perform each day, week, and month. I am creating a filing system for all things that need to be done and things that have already been completed. I accidentally made payments from the previous month's report, in one instance; and had to go back and make things right once it was discovered. If I can become more organized as an individual, it will help me stay on top of the duties at hand and set an example for my employee's as well.

Finding: Did not properly submit her 2024 fourth quarter financial report or settle 2024 excess fees.

According to the county clerk, errors that occurred throughout the year caused delays in the preparation of her fourth quarter financial report and annual settlement. As of December 31, 2024, certain amounts were due to and due from the county clerk, which prevented her from being able to close out her 2024 fee account and make a settlement with the fiscal court. Because the county clerk did not submit her fourth quarter report to DLG by the 30th day following the close of the fourth quarter, the county clerk was not in compliance with KRS 68.210. Because the county clerk did not submit a settlement to fiscal court and pay over the excess of income over disbursements, the county clerk was not in compliance with KRS 64.152. Furthermore, delayed payment of excess fees increases the risk of misappropriation of funds and denies the county funds that could be used for the operation of the county.

Recommendations

We recommend the county clerk strengthen internal controls over financial reporting, including the preparation of weekly and monthly reports, to ensure proper amounts are paid out and that receipts and disbursements ledgers are accurate and may be used to prepare quarterly and year-end financial reports. Furthermore, we recommend the county clerk comply with KRS 68.210 and KRS 64.152 by submitting her fourth quarter financial report within 30 days of the close of the year and settling excess fees by the March 15 deadline.

County Officials Response

County Clerk's Response: Although I had sent in all of my account numbers with the state and other payors/payees, I did not realize that these changes had not been received. I also did not have the previous year's account deleted from the ACH payment screen due to me still working on reconciliation of 2024. All of this caused errors. This includes payments being made out of the wrong account, as well as deposits going into wrong accounts. I have been working this year to make sure that does not happen again. I have opened two new accounts that will not have to be changed each year. I now have an account for web renewals and KYELT's, as well as another for credit card payments from our provider. I make payments from these accounts into my fee account, and this has made it easier to track income and payments. I have kept e-recording payment and usage tax collection and dispersal dependent upon my fee account.

Finding: Has material weakness over the recordkeeping and reporting functions.

The Caldwell County Clerk has material weaknesses over the recordkeeping and reporting functions of the office. As a result, the county clerk's fourth quarter financial report submitted to the Department for Local Government (DLG) was materially misstated. The following problems were noted on the county clerk's fourth quarter report that resulted in audit adjustments:

- Misclassifications and posting errors in receipts totaled \$79,824.
- Misclassifications and posting errors in disbursements totaled \$150,627.
- Receipts were overstated by \$271,829 and disbursements were overstated by \$272,059 due to non-operating transactions resulting from deposit errors, overpayments, or mistakes made on the part of the county clerk's office.

Recommendations

We recommend the Caldwell County Clerk strengthen internal controls over the recordkeeping and reporting functions of the office. Strict and systematic controls over checkout procedures, report preparations, and tax distributions should be implemented. We further recommend that the county clerk frequently compare the ledgers to the bank statements and quarterly financial reports to ensure that they are in agreement.

County Officials Response

County Clerk's Response: I now have another set of eyes on each of my reports and payments. I have [name redacted] enter the dailies into my [software name redacted] program, I double check everything when completing my monthly reports. I now have two deputies training in reconciling the KAVIS daily reports. [Names redacted] can do daily reconciliation and check of reports. I rely on [names redacted] to check things if [name redacted] is not available. My new filing system and involvement of other individuals should help me clear up these misclassifications and posting errors.

Finding: Lacks adequate segregation of duties over disbursements and the reconciliation process.

The Caldwell County Clerk's Office does not have adequate segregation of duties. The county clerk prepares monthly and quarterly reports, posts disbursements to the ledgers, writes and signs checks, and performs the monthly bank reconciliations. The county clerk indicated this condition is a result of a limited budget, which restricts the number of employees the Caldwell County Clerk's Office can hire for accounting functions. A lack of oversight could result in the undetected misappropriation of assets or inaccurate financial reporting to external agencies such as Department for Local Government.

Recommendations

We recommend the county clerk separate the duties involved in posting to the disbursement ledgers, preparing checks, preparing monthly bank reconciliations, and preparing weekly and quarterly reports. If this is not feasible due to a limited budget, cross-checking procedures could be implemented and documented by the individual performing the procedure.

County Officials Response

County Clerk's Response: To remedy the lack of segregation of duties I have new office policies in place. I have extended the responsibilities of my deputies so that they are involved in payments. I now have three deputies that are capable of making payments to the state: [names redacted]. I now require all payments to be watched and checked by another individual, whether it be myself or one of these deputies, to make sure the payments are made correctly. Beginning in January, I have put [name redacted] in charge of entering daily totals into my computer. I double check these entries when filling in pages created to double check the amounts. I print these off to include with my report filings.

Finding: Did not properly distribute tangible personal property taxes.

The Caldwell County Clerk did not properly distribute tangible personal property (ad valorem) taxes for calendar year 2024. For the month of April 2024, the county clerk overpaid taxes to the state and library by \$131,804 and \$2,334, respectively. Additionally, the county clerk underpaid taxes to the Caldwell County Board of Education for the months of June 2024 and September 2024 by \$42,266 and \$30,000, respectively. In addition to the wrong amounts being paid to the taxing districts, payments were not made timely as required by state statute. Payments for the month of January 2024 were not made until March 11, 2024. Payments for the month of April 2024 were not made until May 28, 2024. According to the county clerk, payments made to these districts for ad valorem taxes were not properly reconciled to the monthly reports first to ensure their accuracy. As a result, the state was overpaid ad valorem taxes by \$131,804, the library was overpaid by \$2,334, and the school district was underpaid by \$72,266. These errors resulted in the county clerk's inability to settle excess fees with the fiscal court because of the amounts due back from the districts and additional amounts owed. And the county clerk's failure to make timely payments resulted in the county clerk's noncompliance with KRS 134.815.

Recommendations

We recommend the Caldwell County Clerk strengthen internal controls over the processing of monthly ad valorem tax reports. Prior to making payments to the districts, the county clerk, or a designee, should verify the accuracy of the reports and recalculate the amounts to be disbursed. This should include reconciling the monthly reports to the underlying accounting records and ledgers. We further recommend that the county clerk require all check signers to verify check amounts agree with the reports. These steps should be performed promptly at the end of each month to help ensure the correct amounts are made in a timely manner in compliance with KRS 134.815.

County Officials Response

County Clerk's Response: I am having [name redacted] watch and double check me and my reports when making payments for delinquent and ad valorem taxes. [Name redacted] is doing the weekly reports and payments to the state, as well. If [name redacted] is busy, or not present, I have [names redacted] double check my reports to the checks and payments. I am hoping to train these two on the dailies and other reporting as I can, to have further checks on things. I am going to share my quarterly reports with these deputies to make sure all is correct. I am again behind on these in 2025, for the same reasons. This year I added [names redacted] as authorized users of the account. This has enabled me to let them sign checks. Hopefully utilizing my employees in these tasks will keep me from making mistakes that I had in the past. When possible, I have also had two signatures on checks to show this share of the responsibilities and double checks. Though I am late again this year on reports to DLG, I am hoping that sharing my responsibilities will help me to be timely in the submission of these reports and payments. I will also begin making all check signers verify the amounts, and I will require at least two signatures on the checks going forward. State payments should be initialed by the deputy double checking the report and payment.

Finding: Does not have a written agreement to protect deposits.

The Caldwell County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). As of March 31, 2024, the county clerk had bank deposits of \$841,320 with FDIC insurance of \$250,000. According to the county clerk, the bank did not require a written agreement on a checking account. The county clerk's bank balance of \$591,320 was exposed to custodial credit risk because the county clerk failed to properly execute a security agreement to protect uninsured deposits.

Recommendations

We recommend the county clerk eliminate custodial credit risk by entering into a written agreement with the depository institution that meets all the criteria outlined in the Manual.

County Officials Response

County Clerk's Response: I am in contact with [bank name redacted] now to remedy this problem for next year. I used [bank name redacted] for 2024. We are a small town and all of the administrators and employees are familiar with me. I spoke with a vice president at [bank name redacted] this year and she said they simply did not require any paperwork, or create a new agreement because they know me so well. Also, I had all of my accounts with them the previous year, so they did not provide me with this.

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](#).



209 St. Clair Street | Frankfort, KY 40601 | 502.564.5841 | www.auditor.ky.gov
