



Auditor of Public Accounts
Mike Harmon

FOR IMMEDIATE RELEASE

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Harmon Releases Audit of Breathitt County Clerk's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2016 financial statement of Breathitt County Clerk Becky Curtis. 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 Breathitt 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 control over financial operations and reporting.

The audit contains the following comment:

The Breathitt County Clerk's office lacks adequate segregation of duties over receipts, disbursements, and bank reconciliations: Due to budget restrictions the county clerk is limited in the amount employees that can be hired. Employees who collected cash receipts also prepared daily checkouts, deposit slips, posted to ledgers, and performed bank reconciliations. No review of the receipt process is documented. Disbursements from the clerk's fee account only require one signature of the three designated employees and no review and comparison to supporting documentation is performed.

A lack of segregation of duties can result in inaccurate financial reporting to external agencies and allow for material errors to go undetected.

The functions of receiving, recording, depositing, disbursing, reporting, and reconciling should be separated whenever possible in order to decrease the risk of undetected errors, misstatements, or fraud. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the Breathitt County Clerk segregate duties over receipts, disbursements, and bank reconciliations. If segregation of duties is not feasible due to a small staff, we recommend the clerk implement compensating controls to offset the control deficiencies. Examples of compensating controls include: another employee comparing daily checkout sheet to receipts ledger and bank deposit, reviewing bank reconciliations for accuracy, reviewing invoices prior to payment, requiring dual signatures for disbursements, and reviewing all financial reports. The employee could document the review process by initialing reports and supporting documentation.

County Clerk's Response: The county clerk did not provide a response.

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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