



Auditor of Public Accounts
Mike Harmon

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Harmon Releases Audit of Clinton County Clerk's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the October 5 – December 31, 2018 financial statement of Clinton County Clerk Nathan Collins. 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 Clinton 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 the internal control over financial operations and reporting.

The audit contains the following comment:

The county clerk did not have adequate segregation of duties: This is a repeat finding and was included in the prior year report as Finding 2017-001. The county clerk did not adequately segregate the accounting duties and reporting functions of the clerk's office. The county clerk as well as the bookkeeper receives cash, prepares daily checkouts and deposits, prepares and authorizes checks, posted to the receipts and disbursements ledgers, prepares monthly bank reconciliations, and also compares the weekly, monthly and quarterly reports to the ledgers. Evidence was found that some compensating controls were in place but they were not sufficient to offset the deficiency.

According to the county clerk, the condition is a result of a limited budget, which restricts the number of employees he could hire or delegate duties to.

A lack of segregation of incompatible duties or strong oversight increases the risk that undetected errors or material misstatement could occur.

A proper segregation of duties over the accounting and reporting functions, such as preparation of the quarterly reports or implementing compensating controls when necessary because of a limited number of staff, is essential for providing protection from undetected errors occurring. Additionally, a proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the county clerk separate the duties involved in receiving cash, preparing deposits, writing checks, posting to ledgers, preparing monthly bank reconciliations, and comparing financial reports to ledgers. If due to a limited budget, this is not feasible, cross-checking procedures should be implemented and documented. For example, the daily, weekly, and monthly reports could be prepared by one deputy and reviewed by different deputy with both providing evidence of the process by either initialing or signing the report. The monthly and quarterly reports could be compared with the receipts and disbursements ledgers with a deputy independent of the preparation reviewing to ensure accuracy with both people initialing or signing the reports. Additionally, we recommend all disbursements are authorized by two individuals with one being the county clerk and the other a person independent of the disbursements process.

County Clerk's Response: Due to budget restraints, it is not possible to hire enough employees to segregate the duties. However, we will do our best to follow the auditor's recommendations for compensating controls.

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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