



Auditor of Public Accounts
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Harmon Releases Audit of Fleming County Clerk's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2015 financial statement of Fleming County Clerk Jarrod Fritz. 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 Fleming 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 non-compliance 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:

Delinquent taxes were not distributed properly. During testing of delinquent tax reports, we noted that the clerk did not pay delinquent taxes correctly during the 2015 calendar year. For January, the board of education was not paid the delinquent taxes it was owed. The county attorney was not paid the full amount of delinquent taxes owed for March, September, and December. The sheriff was underpaid delinquent taxes for September and December. We also noted errors of less than \$10 each that occurred in April, August, and October. These errors appear to be caused by a lack of attention to detail and no review of the monthly delinquent tax reports and payments.

The printed monthly reports are not retained by the county clerk. If copies of the monthly reports and checks were kept together and presented for someone to review, the board of education

payment for January would not have been omitted. There were multiple reports prepared each month for delinquent taxes. Sometimes the wrong report was used to determine payment, which is what caused the underpayments to the county attorney and sheriff. The county clerk's lack of attention to detail and reviews resulted in the following amounts owed: board of education - \$135.63; county attorney - \$440.96; and sheriff - \$128.23. The errors of less than \$10 affected the county and Fox Creek Watershed. The largest of these was a \$9 payment to the Fox Creek Watershed that should have gone to the county. These entities were deprived of the ability to use the funds they were owed in a timely manner and, in the case of Fox Creek Watershed, received funds that did not belong to them. Both overpayments and underpayments to taxing districts and other parties result in additional time spent correcting errors.

KRS 134.126 requires the county clerk to pay the county, taxing districts, and other persons entitled to all moneys received for them through the collection of delinquent taxes. The county clerk writes the monthly delinquent tax checks to the taxing districts, sheriff, and county attorney after printing the monthly delinquent tax reports, but the reports and checks are not reviewed by anyone other than the county clerk, resulting in errors that go undetected until the audit. We recommend the county clerk pay the board of education, county attorney, and sheriff the amounts they are owed and pay closer attention when preparing delinquent tax payments in future. We further recommend the county clerk have someone compare the checks to the monthly reports before they are distributed to the taxing districts and other parties. Because these errors occurred in at least four different months, and have been reported on in previous years, this is a consistent problem. If someone had compared the payments to the monthly reports prior to distribution, these errors most likely would not have occurred.

County Clerk's response: No response.

The Fleming County Clerk's Office lacks adequate segregation of duties. A deputy clerk prepares the bank reconciliations. This is not documented, nor is a review by the county clerk documented. The county clerk or one of two deputies prepares checks for all disbursements and posts to the disbursements ledger. There is no documentation that this work is reviewed, and posting errors have occurred. The county clerk and two deputies are the authorized check signers and only one signature is required on checks. If the county clerk does not sign the check, deputies type or write the county clerk's name on one line and sign below him. This does not improve internal controls. The lack of adequate segregation of duties can result in undetected misstatements and inaccurate financial reporting. To adequately protect assets, effective segregation of duties involving deposit preparation, recording of receipts, reconciling the bank account, and posting disbursements to ledgers is essential. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. Good internal controls dictate that duties should be adequately segregated or compensating controls implemented to ensure accurate financial reporting. We recommend the county clerk segregate duties or implement strong compensating controls to mitigate risks. If duties cannot be adequately segregated due to a limited number of staff, compensating controls are necessary. The county clerk may choose to implement the following compensating controls:

- The county clerk should review the deputy clerk's bank reconciliations for accuracy and compare to the ledgers and ending financial statement balances.

- The county clerk or another deputy should review disbursements ledger postings.
- The county clerk could require dual signatures on checks or sign all checks himself.

The reviews should be documented in writing, detailing who performed the reconciliation and review.

County Clerk's response: No 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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