



Auditor of Public Accounts  
Mike Harmon

FOR IMMEDIATE RELEASE

Contact: Michael Goins  
[Michael.Goins@ky.gov](mailto:Michael.Goins@ky.gov)  
502.564.5841  
502.209.2867

### Harmon Releases Audit of Fleming County Clerk's Fee Account

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2018 financial statement of Fleming County Clerk Jarrod R. 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 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 comments:

**The county clerk does not have controls in place for payroll:** For the pay period July 6-19, 2018, the county clerk paid four deputies their gross wages rather than the net wages they were due. This resulted in a total overpayment of wages of \$1,926. Withholdings were not calculated and paid on this additional income to these employees. Furthermore, this income was not included on the W-2 for these employees. The county clerk creates and disburses payroll checks without anyone reviewing his work. The county clerk made an error when creating the payroll checks and did not have controls in place to ensure that the mistake was caught before disbursing the checks. As a result, employees were over paid by a total of \$1,926, and the fiscal court did not receive all of the excess fees due. The withholdings were not paid accurately and the employees W-2s were not accurate. These payments are considered disallowed disbursements of the fee account.

Strong internal controls dictate that someone review payroll documents prior to disbursing the checks. Having a second person review documents is essential for providing protection from undetected errors occurring. Additionally, this would protect employees in the normal course of performing their daily responsibilities. We recommend the county clerk work with the county attorney, taxing agencies, and retirement to correctly rectify this payroll error in order to collect this overpayment, fix and pay applicable withholdings, and amend the W-2s where necessary. Once the overpayment is reimbursed to the fee account it will be included in the excess fee amount as reported on the audited financial statement. In addition, we recommend that in the future, the county clerk establish proper controls over payroll, such as have someone review payroll checks for accuracy prior to disbursing, to ensure errors of this nature do not occur.

*County Clerk's Response: The official did not provide a response.*

**The county clerk's office lacks adequate segregation of duties:** This is a repeat finding and was included in the prior year audit report as Finding 2017-001. The Fleming County Clerk's Office lacks adequate segregation of duties. A deputy clerk prepares the bank reconciliations. The deputy initials the statement when completed, but there is no documentation of review by the county clerk. 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. 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, both deputies sign it. According to the county clerk, the clerk's office has a small budget which limits the number of employees he can hire.

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 recommended. We recommend the county clerk implement compensating controls, such as:

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

*County Clerk's Response: The official 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](#).

###

*The Auditor of Public Accounts ensures that public resources are protected, accurately valued, properly accounted for, and effectively employed to raise the quality of life of Kentuckians.*

*Call 1-800-KY-ALERT or visit our website to report suspected waste and abuse.*

