



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2019 financial statement of Menifee County Clerk Krystal Chapman. 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 Menifee 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's office does not have adequate segregation of duties: All employees of the county clerk's office collect receipts. Also, the county clerk and all deputy clerks could prepare daily checkout sheets, bank deposits, and post items to the receipts ledger. The county clerk and all deputy clerks could prepare and record disbursements and the county clerk reconciled the bank account. According to the county clerk, this was caused by a limited budget which restricted the number of employees that the county clerk could delegate duties to. This increases the risk of misappropriation of assets and inaccurate financial reporting to external agencies.

Good internal controls dictate the same employee should not handle, record, and reconcile receipts. Further, the same employee should not be responsible for preparing, recording, and reconciling disbursements. The segregation of duties over various accounting functions such as opening mail, preparing deposits, recording receipts and disbursements, and preparing monthly reports, or the implementation of compensating controls is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. If this is not feasible due to budgetary constraints, cross checking procedures could be implemented and documented by the individual performing the procedure. We recommend the same person not perform multiple accounting functions and, if the duties cannot be segregated, then strong oversight over the employee's work should be implemented and documented.

County Clerk's Response: The office lacks funding in order to hire staff to fully be able to have adequate segregation of duties. Until funding is available the office will try to work to segregate duties.

The county clerk's office has an internal control weakness in disbursements of the fee account: The county clerk's office used a debit card for multiple purchases throughout the year. The county clerk did not realize that is a best practice for all disbursements to be made by check. The county clerk's failure to make all disbursements in the form of a check drawn on the fee account is an issue of non-compliance with regards to Department for Local Government (DLG) requirements under the authority of KRS 68.210. This also significantly increases the risk that funds can be used inappropriately and go undetected. The DLG, under the authority of KRS 68.210, has established minimum requirements for all local officials (and employees) that handle public funds in the *County Budget Preparation and State Local Finance Officer Policy Manual*. One of the minimum requirements established is "Disbursements by check only." The use of a debit card does not meet the requirements for making all disbursements by check only. We recommend purchases be made by check. In the event that a check cannot be used, the county clerk could use a credit card for the purchase and then pay the credit card off via check.

County Clerk's Response: I will be canceling the use of our debit card and will apply for a credit card to use and will begin paying the credit card off monthly with a check. I was not aware we could not use a debit card.

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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