



Auditor of Public Accounts
Mike Harmon

FOR IMMEDIATE RELEASE

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Harmon Releases Audit of Nelson County Clerk's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2019 financial statement of Nelson County Clerk Jeanette Hall Sidebottom. 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 Nelson 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 Nelson County Clerk's Office does not have segregation of duties over receipts and reconciliations: The Nelson County Clerk's Office does not have segregation of duties over receipts and monthly bank reconciliations and has not implemented adequate controls. There are two employees that rotate between doing the daily checkout sheet and comparing the daily checkout sheet to supporting documentation from the computer system. There was no documentation of this review on the daily checkout sheet. The same two employees rotate between completing the bank reconciliation at the end of each month, but there was also no documentation of review. The county clerk did not receive the back of the cancelled checks from the bank in order to verify proper endorsement.

According to the county clerk, due to the limited staff size segregation of duties is not possible. The county clerk is aware that compensating controls should be implemented and evidenced. Without proper segregation of duties, the risk of undetected material misstatement significantly increases due to errors and theft. Strong internal controls and procedures are vital to ensure proper segregation of duties over collection, reporting, depositing, and reconciling receipts and disbursements. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. If duties are not segregated, effective compensating controls should be maintained and documented.

We recommend that the county clerk segregate controls over receipts and reconciliations. If these duties cannot be segregated, then strong oversight should be provided to the employee responsible for these duties. Examples of compensating controls include, but are not limited to, daily checkout be reviewed and initialed and bank deposit receipt be reviewed and initialed. The bank reconciliation should be documented after review when compared to the bank balance and the county clerk should receive the back of cancelled checks to verify endorsement.

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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