



Auditor of Public Accounts
Mike Harmon

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Harmon Releases Audit of Meade County Clerk's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2018 financial statement of Meade County Clerk Judy R. Jordan. 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 Meade 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 Meade County Clerk lacks segregation of duties over disbursements, payroll, and reconciliations: This was a repeat finding and was included in the prior year audit report as Findings 2017-001 and 2017-002. The Meade County Clerk's Office lacks segregation of duties over disbursements, payroll, and reconciliations. When invoices are received for operating expenses, the clerk or chief deputy will prepare the disbursements check in the software program, which automatically posts to the ledger in the appropriate field. There was no documentation of review when the invoice was compared to the check, and checks do not require dual signatures unless signed by another employee other than the county clerk. When reports are printed for required payments, the preparer or clerk will sign the report. There were initials of review on the

reports when they were compared to the disbursements check. The county clerk prepares and signs payroll checks, but there was no documentation of review when compared to the timecards. Payroll checks do not require dual signatures. The county clerk completes the bank reconciliation at the end of each month, but there was no documentation of review. The county clerk also prepares the quarterly report, signs, and submits them to the Department for Local Government (DLG). There was no documentation of review by another employee when compared to the receipts and disbursements ledgers.

Due to the limited staff size, segregation of duties is not possible. The clerk is aware that compensating controls should be implemented and evidenced. Without proper segregation of duties, the risk of misstatement significantly increases due to undetected errors and theft.

Strong internal controls and procedures are vital to ensure proper segregation of duties over collecting, reporting, depositing, disbursing, and reconciling receipts and disbursements. If duties are not segregated, effective compensating controls should be implemented and documented.

We recommend that the county clerk segregate controls over disbursements, payroll, and reconciliations. If these duties cannot be segregated, then compensating controls be implemented and evidenced to offset the lack of segregation of duties. We recommend that all invoices be reviewed and initialed when compared to the disbursements check. When payroll checks are issued, timecards should be reviewed to verify accuracy and initialed by a different employee than the one that prepared the checks. The bank reconciliation should be documented after review when compared to the bank balance. We also recommend the quarterly report be compared to the receipts and disbursements ledgers, and documented after review by a different employee.

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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