



Auditor of Public Accounts
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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 2019 financial statement of Meade County Clerk Judy 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 is a repeat finding and was reported in the prior year audit report as Finding 2018-001. The Meade County Clerk's Office lacks of segregation of duties over disbursements, payroll and reconciliation. When invoices are received for operating expenses, the clerk or chief deputy will prepare the disbursement 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 disbursement 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 did not receive the back of the cancelled checks from the bank in order to verify proper endorsement. 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 receipt and disbursement ledger.

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, disbursing, 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 the county clerk segregate controls over disbursements, payroll, 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, invoices be reviewed and initialed when compared to the disbursement check, when payroll checks are issued, timecards should be reviewed and initialed by a different employee than the one that prepared the checks to verify accuracy. 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. We also recommend the quarterly reports 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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