



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2017 financial statement of Pulaski County Clerk Linda Burnett. 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 Pulaski 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 internal control over financial operations and reporting.

The audit contains the following comment:

The county clerk did not segregate duties over all accounting functions: This is a repeat issue and was included in the prior year audit report as Finding 2016-001. The county clerk's bookkeepers do not collect cash but do recount the cash after each deputy balances their individual cash drawers with the computer prepared daily checkout sheet. The clerk's software converts the information from state point of sale into the receipts ledger. The bookkeepers are responsible for preparing a consolidated daily checkout sheet, preparing the deposit ticket, preparing adjusting entries to the ledgers, preparing monthly bank reconciliations, preparing all disbursements (with the exception of payroll) and preparing all monthly and quarterly reports. The two bookkeepers are scheduled to rotate their duties each week. The county clerk has also implemented compensating controls over disbursements such as dual signatures, with the county clerk's being

one of those signatures the majority of the time, and requiring the bank to include the endorsement side of checks with the bank statements. Also, the county clerk signs all the weekly, monthly, and quarterly reports prior to signing the disbursements and initials the usage tax call-in log sheet. However, no evidence of other reviews such as comparison of the daily checkouts, weekly reports, monthly reports, or the quarterly financial report to the receipts and disbursement ledgers was found. The county clerk stated that a limited budget and other duties within the office kept her from providing adequate oversight.

The lack of segregation of duties or implemented compensating controls could have resulted in inaccurate financial reporting to the Department of Local Government and to the Pulaski County Fiscal Court. Proper segregation of duties over various accounting functions such as preparing deposits, recording receipts and disbursements, and preparing monthly reports, or implementing additional oversight is essential for providing protection from misappropriation and inaccurate financial reporting. Furthermore, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the county clerk segregate duties over all accounting processes. If segregation of duties is not possible, strong oversight to ensure accuracy should be provided by an individual who did not prepare the report or disbursement and should be documented with his/her signature or initials on all source documentation.

County Clerk's Response: Working on implementation of a third person to help in bookkeeping and also to assist in the documenting the accuracy of reports or disbursements.

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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