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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2022 financial statement of former 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 former Pulaski County Clerk in accordance with accounting principles generally accepted in the United States of America. The former clerk's financial statement did not follow this format. However, the former 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 findings:

The former Pulaski County Clerk did not segregate duties over all accounting functions: This is a repeat finding and was included in the prior year audit report as Finding 2021-001. The former county clerk's bookkeepers did not collect cash but did recount the cash after each deputy balances their individual cash drawers with the computer-prepared daily checkout sheet. The former county clerk's software converted the information from the state point of sale system into the receipts ledger. The bookkeepers were 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 were scheduled to rotate their duties each week. The former county clerk had also implemented compensating controls over disbursements, such as dual signatures, with the former 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 former county clerk signed 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 review of bank reconciliations, comparison of the daily checkouts, weekly reports, monthly reports, or the quarterly financial report to the receipts and disbursements ledgers was found.

The former 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 for Local Government (DLG) 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 asset 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's office segregate duties over all accounting functions. 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 by signature or initials on all source documentation.

Former County Clerk's Response: The former official did not provide a response.

The former Pulaski County Clerk did not submit the March 31, 2022, June 30, 2022, and September 30, 2022 quarterly reports to the Department for Local Government: The former county clerk did not submit the March, June, or September quarterly reports for calendar year 2022. The former county clerk received a delinquent notice from the Department for Local Government (DLG), but the former county clerk did not submit the reports.

The former county clerk did not have controls in place to ensure that quarterly reports were completed timely and submitted to DLG. Failure to submit required reports prevents proper oversight from DLG and increases the risk that errors, misstatements, or fraud can occur and go undetected for a significant time period.

The former county clerk was not in compliance with the requirements set out by the state local finance officer.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. As noted in the *County Budget Preparation and State Local Finance Officer Policy Manual,* the state local finance officer requires fee officials to submit a financial status report on a quarterly basis. This report is prepared from the books of accounts for receipts and expenditures of each office and is due by the 30th day of the month following end of the quarter. Good controls in place could ensure that reports are submitted timely, or an extension is obtained from DLG specifying the reasons for the delay in submitting the reports.

We recommend the county clerk's office comply with the state local finance officer and submit quarterly reports timely.

Former County Clerk's Response: The former official 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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