



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the January 1 – November 30, 2018 financial statement of former Barren County Clerk Joanne London. 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 Barren 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 comment:

The former Barren County Clerk's Office lacked adequate segregation of duties over receipts, disbursements, and reconciliations: The bookkeeper, who was responsible for preparing and making deposits, also prepared the consolidated daily checkouts, prepared receipts and disbursements ledgers, prepared and reconciled weekly/monthly reports, prepared checks, made adjusting entries to ledgers and reports, and reconciled the bank account. Documented compensating controls over disbursements were noted such as two signatures on checks and the bookkeeper did not have signature authority. However, checks were not compared to the disbursement ledger evidenced by errors identified during the audit when reconciling the disbursements ledger to the bank. Documented compensating controls over bank reconciliations were noted for the months of January 2018 through July 2018. However, no review was noted for

the months August 2018 through December 2018. In addition, fee account bank reconciliations were not completed timely for bank statements received after the end of the audit period. Therefore, compensating controls were not sufficient to offset the control deficiency.

According to the former county clerk, this condition was a result of a limited budget, which restricted the number of employees the county clerk could hire or delegate duties to. The lack of segregation of duties increases the risk of misappropriation of assets and inaccurate financial reporting.

Good internal controls dictate the same employee should not handle, record, and reconcile receipts. Further, the same employee should not be responsible for preparing, recording, and reconciling disbursements. The segregation of duties over various accounting functions such as preparing deposits, recording receipts and disbursements, and preparing weekly/monthly reports, or the implementation of compensating controls is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. Also, timely bank reconciliations are vital in identifying unusual transactions that might be caused by fraud or accounting errors.

We recommend the county clerk's office strengthen internal controls by segregating these duties over receipts, disbursements, and the reconciliation process. If this is not feasible due to budgetary constraints, cross checking procedures could be implemented and documented by the individual performing the procedure. We also recommend the county clerk ensure bank reconciliations for all bank accounts be performed timely and reconcile to the financial records.

Former County Clerk's Response: The 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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