



Auditor of Public Accounts  
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### **Harmon Releases Audit of Carlisle County Clerk's Fee Account**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2016 financial statement of Carlisle County Clerk Michael Toon. 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 Carlisle 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 comments:

**The Carlisle County Clerk's Office lacks adequate segregation of duties:** This is a repeat finding and was included in the prior year audit report as Finding 2015-003. The Carlisle County Clerk's Office lacks adequate segregation of duties over the accounting and reporting functions. The clerk performs multiple tasks such as preparing weekly and monthly reports, preparing checks for disbursements, completing monthly bank reconciliations, and preparing the quarterly reports. According to the clerk, this is due to a limited staff. The lack of segregation of duties or compensating internal controls increases the risk of undetected errors or fraud.

Segregation of duties over these tasks or the implementation of compensating controls, when limited by the number of staff, is essential for providing protection against misappropriation of

assets and inaccurate financial reporting. Additionally, a proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the county clerk separate the duties involved in writing checks, preparing weekly and monthly reports, completing monthly bank reconciliations, and preparing quarterly reports. If this is not feasible due to a limited budget, cross-checking procedures could be implemented and documented by the individual performing them.

*County Clerk's Response: I will strive to segregate duties in a more efficient manner.*

**The Carlisle County Clerk overspent his approved budget:** The Carlisle County Clerk overspent his calendar year 2016 budget by \$7,315. This variance was comprised mainly of the unbudgeted purchase of software support. The clerk failed to monitor his budgeted disbursements; therefore, the clerk overspent his budget and deprived the fiscal court of excess fees due at year end.

KRS 68.210 states that the administration of the county uniform budget system shall be under the supervision of the state local finance officer who may inspect and shall supervise the administration of accounts and financial operations and shall prescribe a system of uniform accounts for all counties and county officials. The state local finance officer requires the fiscal court to approve a calendar year budget for each fee office as a component of the county's budget preparation process by January 15th of each year. Additionally, strong internal controls include monitoring disbursements and comparing them to budgeted amounts.

We recommend the Carlisle County Clerk monitor his approved budget throughout the year and request budget amendments as necessary from the fiscal court, before year end.

*County Clerk's Response: I will try to have all numbers calculated and figured out by the end of the year.*

**The Carlisle County Clerk has weak internal controls over timekeeping:** This is a repeat of a prior year finding and was included in the report as Finding 2015-002. The Carlisle County Clerk does not require employees to maintain formal timesheets. Instead they keep track of their time and attendance with the use of yearly calendars. However, the calendars were not signed by the employees each pay period, and the county clerk did not document his approval of the employees' time. The Carlisle County Clerk implemented time keeping procedures that lack adequate internal controls. A lack of internal controls over timekeeping could lead to improper payments to employees or improper use of leave time.

Strong internal controls over timekeeping functions are important to ensure employees are being compensated for hours actually worked and leave balances are being maintained and used in accordance with county policies.

We recommend the county clerk strengthen internal controls by requiring formal timesheets signed by employees each pay period. Also each pay period, the county clerk should review and

document his approval of the employees' time by signing the timesheets. Approved timesheets should then be used to update and maintain employees' leave balances.

*County Clerk's Response: I have noted the suggestions and will carry them out in 2017 on.*

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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