



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2019 financial statement of Casey County Clerk Casey Davis. 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 Casey 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 Casey County Clerk's Office does not have adequate segregation of duties over disbursements: This is a repeat finding and was included in the prior year audit report as Finding 2018-001. The Casey County Clerk's Office does not have adequate segregation of duties over disbursements. The county clerk prepares and signs all checks that are written out of his office and posts all disbursements to the disbursement ledger. Although the county clerk has implemented some compensating controls, such as dual signatures on disbursements, it does not appear these controls mitigate the increased risk caused by lack of segregation of duties.

The county clerk stated that his office is a small office with limited funds which restricts the number of employees the county clerk can hire or delegate duties to, and prevents a proper segregation of duties.

The lack of adequate segregation of duties can result in undetected misappropriation of assets and incorrect reporting. Also, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. Segregation of duties over disbursements or implementation of compensating controls, when needed due to limited staff, is essential for providing protection to employees in the normal course of performing their duties and can also help prevent undetected misappropriation of assets and incorrect reporting. Effective internal controls dictate that essential duties should be separated.

We recommend the county clerk delegate disbursement duties to other employees within the office. If this is not feasible due to lack of staff then the county clerk could implement the following compensating controls to offset the lack of segregation of duties:

- The county clerk could examine checks prepared by another employee and compare them to invoices or monthly reports to taxing districts. The county clerk's review should be documented by initials and date on the invoices and monthly reports.
- An employee independent of the disbursement ledger preparation could compare the disbursements ledger to source documents, such as monthly reports, to ensure accurate recordings. The employee's review should be documented by initials on the monthly disbursement ledger.

County Clerk's Response: As we are a small office it is almost impossible for everyone to not be involved. However controls are in place.

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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