



Auditor of Public Accounts
Mike Harmon

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Contact: **Michael Goins**
Michael.Goins@ky.gov
502.564.5841
502.209.2867

Harmon Releases Audit of Clay County Clerk's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2015 financial statement of Clay County Clerk Michael Baker. 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 Clay 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 non-compliance 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 county clerk's office lacks adequate segregation of duties. The bookkeeper's duties consist of receiving cash, issuing receipts, preparing bank deposits, preparing and signing checks, posting transactions to the ledgers, reconciling bank records to the ledgers and preparing monthly, quarterly, and annual financial reports. Additionally, we noted that disbursement checks require only one signature.

A limited number of staff members due to budget restrictions prevents proper segregation of duties.

Lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies, such as the Department for Local Government.

The segregation of duties over various accounting functions such as receiving cash, issuing receipts, preparing bank deposits, preparing and signing checks, posting transactions to the ledgers, reconciling bank records to the ledgers and preparing monthly, quarterly, and annual financial reports 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.

To adequately protect against misappropriation of assets and inaccurate financial reporting, the county clerk should separate the duties involving issuing receipts, disbursements, and bank reconciliations. If that is not feasible, due to a limited number of staff, strong oversight over these areas should occur and involve an employee not currently performing any of those functions. Additionally, the county clerk could provide this oversight. If the county clerk does implement compensating controls, these should be documented on the appropriate source documents. Examples of possible compensating controls include the following:

- The county clerk could initiate deputies counting other deputies' cash drawers at closing.
- The county clerk could review the bank reconciliation. Such review should include comparison of bank records to the receipts and disbursements ledgers and should be documented by the county clerk's initials on the reconciliations and supporting documentation.
- The county clerk could prepare or review the daily deposit. The county clerk should document his review by initialing the daily deposit slip.

Disbursements could be signed by two individuals, preferably, one of which is the county clerk. Accordingly, one of the check signers should also initial the supporting documentation.

County Clerk's response: No 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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