



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

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2016 financial statement of Marshall County Clerk Tim York. 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 Marshall 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 comment:

**The county clerk's office lacks adequate segregation of duties:** The county clerk's office lacks adequate segregation of duties over the accounting and reporting functions of the county clerk's office. This is a repeat finding noted in the prior year audit report as Finding 2015-001. The county clerk contracted with the county finance officer to trace the beginning book balance to the ending book balance for the previous month, trace the beginning bank balance to the ending bank balance for the previous month, trace outstanding checks from the prior month to clearing in the current month or the current outstanding check list, trace the prior month deposit in transit to the current month start, and match total inflows to cash receipts and outflows to disbursements on the bank reconciliation. However, these controls were not put in place until July 2016.

The county clerk chose to take responsibility for preparing daily deposits, preparing and signing checks, posting to receipts and disbursements ledgers, preparing monthly bank reconciliations, and also preparing quarterly reports. Until July 2016, no one reviewed the county clerk's postings, ledgers, or quarterly financial statements.

A proper segregation of duties is essential for providing protection from undetected errors. Additionally, a proper segregation of duties protects employees in the normal course of performing their daily responsibilities. The lack of segregation of duties or strong oversight increases the risk of undetected errors.

We recommend the county clerk separate the duties involved in writing checks, posting to the receipts and disbursements ledgers, preparing monthly bank reconciliations, and preparing quarterly reports.

*County Clerk's Response: I have contracted with the County Finance Office to review financial transactions for which the County Clerk has sole responsibility. This practice began in July of 2016 after receipt of the 2015 audit. This practice continues today and will continue in the future. I expect that after this review is in place for a full year, lack of segregation of duties should not be an issue for the 2017 audit.*

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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