



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

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2017 financial statement of Meade County Clerk Judy R. Jordan. 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 Meade 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 county clerk's office lacks segregation of duties over receipts, disbursements, and bank reconciliations:** This is a repeat finding and was included in the prior year audit report as Finding 2016-001. The county clerk's office lacks adequate segregation of duties over receipts, disbursements, and bank reconciliations. The county clerk prepares daily checkout sheets and daily deposits along with posting to the receipts and disbursements ledgers. She is also responsible for preparing and signing checks, and preparing the monthly bank reconciliations. The lack of segregation of duties is present due to the county clerk not including segregation of duties in the control procedures over receipts, disbursements, and bank reconciliations.

The lack of segregation of duties increases the risk of misappropriation of assets, errors, and inaccurate financial reporting. Strong internal controls dictate significant control functions should be segregated or the county clerk should implement compensating controls and ensure they are evidenced to reduce the risk of asset misappropriation and to help prevent inaccurate financial reporting. Adequate segregation of duties would prevent the same person from having a significant role in these incompatible functions. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend that the county clerk segregate controls over receipts, disbursements, and reconciliations. If these duties cannot be segregated, then strong oversight should be provided to the employee responsible for these duties. The county clerk should implement cross-checking procedures and document those control procedures.

*County Clerk's Response: When time permits and when I am out of the office, my chief deputy performs these duties also.*

**The county clerk's office lacks segregation of duties over payroll processing:** The county clerk lacks adequate segregation of duties over payroll processing. The county clerk is responsible for all of the payroll duties. Because the county clerk performs all payroll related duties without review by another person, there is an increased risk of errors and fraud. Segregation of duties over accounting functions such as payroll is essential for providing protection from asset misappropriation and inaccurate financial reporting. Good internal controls dictate adequate segregation of duties to prevent the same person from having complete control in the receiving, recording, and reporting of funds. We recommend the county clerk assign a deputy some of the payroll responsibilities and perform a supervisory review of that work. Furthermore, we recommend the county clerk sign timesheets to document her review.

*County Clerk's Response: Due to privacy of salaries, I am usually the only one who processes the payroll. My chief deputy has been trained and has processed payroll once before.*

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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