



Auditor of Public Accounts  
Mike Harmon

**FOR IMMEDIATE RELEASE**

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**Harmon Releases Audit of Pulaski County Clerk's Fee Account**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2015 financial statement of Pulaski County Clerk Linda Burnett. 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 Pulaski 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 over receipts, disbursements, and reconciliations.** The clerk had segregated the cash receipts duties since the bookkeeper did not collect cash. Instead the bookkeeper recounted the cash after the individual deputies had reconciled their cash drawers and compared them to the computer prepared daily checkout. The bookkeeper was also responsible for posting adjusting entries to the receipts and disbursements ledger, preparing bank reconciliations, preparing all disbursements excluding payroll, and preparing all monthly and quarterly reports. Lack of adequate segregation of duties can result in undetected misstatements and in accurate financial reporting. To adequately protect assets, effective internal controls require separation of duties involving deposit preparation, recording of

receipts, and reconciling the bank accounts. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

Effective internal controls dictate that essential duties should be separated. If duties cannot be adequately segregated due to a limited number of staff, compensating controls may be implemented to reduce the risks associated with a lack of adequate segregation of duties. We recommend the duties over receipts, disbursements, and bank reconciliations be separated. The clerk can also strengthen internal controls by implementing the following compensating controls:

- An independent employee could compare the daily checkout sheet to the clerk's deposits and receipts ledger. The comparison should be documented.
- The clerk could be required to sign all checks and comparison to supporting documentation should be documented.
- An independent employee could review the bookkeeper's bank reconciliations for accuracy and compare to ending bank balances. This review should be documented on the bank reconciliations.

*County Clerk's response: This is an ongoing continuing problem in smaller offices. Efforts will be made (are being made) to further segregate duties.*

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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