



Auditor of Public Accounts
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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 2020 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 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 comments:

The Pulaski County Clerk did not segregate duties over all accounting functions: This is a repeat finding and was in the prior year audit report as Finding 2019-001. The county clerk's bookkeepers do not collect cash but do recount the cash after each deputy balances their individual cash drawers with the computer-prepared daily checkout sheet. The county clerk's software converts the information from the state point of sale system into the receipts ledger. The bookkeepers are responsible for preparing a consolidated daily checkout sheet, preparing the deposit ticket, preparing adjusting entries to the ledgers, preparing monthly bank reconciliations, preparing all disbursements (with the exception of payroll), and preparing all monthly and quarterly reports. The two bookkeepers are scheduled to rotate their duties each week. The county clerk has also implemented compensating controls over disbursements, such as dual signatures,

with the county clerk's being one of those signatures the majority of the time and requiring the bank to include the endorsement side of checks with the bank statements. Also, the county clerk signs all the weekly, monthly and quarterly reports prior to signing the disbursements and initials the usage tax call-in log sheet. However, no evidence of other reviews such as review of bank reconciliations, comparison of the daily checkouts, weekly reports, monthly reports, or the quarterly financial report to the receipts and disbursements ledgers was found.

The county clerk stated that a limited budget and other duties within the office kept her from providing adequate oversight. The lack of segregation of duties or implemented compensating controls could have resulted in inaccurate financial reporting to the Department for Local Government (DLG) and the Pulaski County Fiscal Court.

Proper segregation of duties over various accounting functions such as preparing deposits, recording receipts and disbursements, and preparing monthly reports, or implementing additional oversight is essential for providing protection from asset misappropriation and inaccurate financial reporting. Furthermore, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the county clerk segregate duties over all accounting functions. If segregation of duties is not possible, strong oversight to ensure accuracy should be provided by an individual who did not prepare the report or disburse

County Clerk's Response: Will have the chief deputy clerk and the bookkeeper overseeing the reconciliation of the bank statements verses receipts and disbursements from ledgers starting immediately for the 2021 year.

The Pulaski County Clerk's fourth quarter financial report was not accurate: The Pulaski County Clerk has weak internal controls over the recordkeeping and reporting functions of the office. As a result, the fourth quarter financial report was not accurate and required numerous adjustments and reclassifications. The following errors were noted:

- The fourth quarter financial report did not agree to the receipts and disbursements ledgers requiring adjustments of \$93,879 and \$39,187 to receipts and disbursements, respectively.
- The disbursements ledger included checks totaling \$12,089 which were voided; however, never deducted from the total.
- One check was recorded as \$1,159; however, the actual amount of the cancelled check was \$11,588, for a variance of \$10,429.
- Deed transfer tax on the fourth quarter financial report did not include the third quarter payment of \$97,760; however, it did include a payment of \$23,742 which was for the Affordable Housing Trust Fund (AHTF). This payment was also correctly recorded as AHTF disbursements. Therefore, an adjustment of \$74,018 to deed transfer tax was required.
- Many other reclassifications and adjustments were necessary to reconcile to the bank.
- Bank reconciliations were prepared each month; however, they were not compared to the book balance per the accounting records, which would detect errors.

The county clerk stated that a limited budget and other duties within the office kept her from providing adequate oversight. Due to weak internal controls over the recordkeeping and reporting functions, the aforementioned errors occurred without being detected and corrected. Furthermore, there is an increased risk of misappropriation and inaccurate financial reporting.

Good internal controls promote good business practices providing reasonable assurance that financial records and reports are accurate. The lack of effective internal controls increases the risk that errors and fraud are detected late or possibly remain undetected.

We recommend the county clerk implement control procedures to ensure amounts reported on the quarterly financial report are accurate and properly classified.

County Clerk's Response: Beginning immediately 2 employees will be reviewing reports and balancing. Chief Deputy Clerk [name redacted] will be checking the accuracy of all the financial reports.

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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