



Auditor of Public Accounts  
Adam H. Edelen

FOR IMMEDIATE RELEASE

Contact: **Stephenie Hoelscher**  
[stephenie.hoelscher@ky.gov](mailto:stephenie.hoelscher@ky.gov)  
**502.564.5841**  
**502.209.2867**

**Edelen Releases Audit of Carroll Clerk's Fee Account**

**FRANKFORT, Ky.** – State Auditor Adam Edelen today released the audit of the 2014 financial statement of Carroll County Clerk Alice Marsh. State law requires the auditor to conduct annual audits of county clerks and sheriffs.

Recent changes in auditing standards require the auditor's letter to communicate whether the financial statement presents fairly the revenues, expenditures and excess fees of the Carroll County Clerk in accordance with generally accepted accounting principles in the United States. The report found that the financial statement of the Clerk 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 comments:

**The County Clerk has a lack of segregation of duties over bank reconciliations.** During the review of controls related to bank reconciliations, we noted that County Clerk who records the receipts and disbursements in the ledgers also performs the bank reconciliations. When there is a lack of segregation of duties over controls, and compensating controls are not evidenced, this increases the risk of material misstatement due to error or fraud. A proper segregation of duties over the accounting and reporting functions such as preparation of the quarterly reports or implementing compensating controls, when necessary because of a limited number of staff, is essential for providing protection from errors occurring and not being detected. Additionally, a proper segregation of duties protects employees in the normal course of performing their daily responsibilities. We recommend bank reconciliations be performed or reviewed by someone

independent of the recording process. To document their review, reconciliations should be initialed by the reviewer.

*County Clerk's response: I will have one other deputy to look over my bank reconciliation statement each month and initial to help offset the segregation of duties.*

**The County Clerk's office has a lack of segregation of duties over disbursements and reconciliations which allowed errors to go undetected.** The County Clerk's office has a lack of segregation of duties over disbursements and reconciliation without sufficient compensating controls in place to mitigate the risk of material error or fraud. During fiscal year 2014, the County Clerk did not prepare delinquent tax checks for the state for July 2014 and was overpaying the County advertising fees each month. During this monthly disbursement process, a comparison was not done between the monthly report to the checks written and to the disbursements ledger to ensure all required disbursements were made.

The result of a lack of segregation of duties and having no other knowledgeable deputy involved in the process, allowed errors to be made and not detected by the County Clerk's internal control system. These errors included:

- Delinquent tax payment due to the Kentucky State Treasurer for \$1,406 for the month of July was not made.
- Overpaid \$1,151 in advertising fees for delinquent taxes to the Carroll County Fiscal Court.

These errors could have been discovered by the Clerk's office if the bookkeeper had compared the monthly reports to the disbursements ledger and the checks written or if a second person had been involved in the process to review the reports, ledgers, and checks to ensure all required checks were written each month.

A proper segregation of duties over the accounting and reporting functions such as preparation of the quarterly reports or implementing compensating controls is essential for providing protection from errors occurring and not being detected. Additionally, a proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the Clerk implement procedures to ensure there is a reconciliation between ledgers and monthly reports and for a second person review to ensure all required checks are prepared each month.

We further recommend the Clerk document standardized review and reconciliation procedures for staff to use a guide when performing non-daily operations. For example, taking a copy of a monthly report and highlight the items to review, where to sign, and a list of steps to perform to complete the reconciliation or review.

In addition, the Clerk should request fiscal court to submit payment to the state in the amount of \$1,406 for July 2014 delinquent taxes.

*County Clerk's response: Not paying the delinquent tax payment due to the state for the month of July 2014 was an oversight on my part; however I was unaware the advertising fee was already added to the total and have been paying the fiscal court this additional amount for several years. I will contact fiscal court about this issue and will have it resolved.*

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](#).

###

*The Auditor of Public Accounts ensures that public resources are protected, accurately valued, properly accounted for, and effectively employed to raise the quality of life of Kentuckians.*

*Call 1-800-KY-ALERT or visit our website to report suspected waste and abuse.*

