



Auditor of Public Accounts
Adam H. Edelen

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Contact: **Stephenie Hoelscher**
stephenie.hoelscher@ky.gov
502.564.5841
502.209.2867

Edelen Releases Audit of Lincoln Clerk's Fee Account

FRANKFORT, Ky. – State Auditor Adam Edelen today released the audit of the 2014 financial statement of Lincoln County Clerk George O. Spoonamore, IV. 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 Lincoln 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 comment:

The County Clerk's office has a lack of segregation of duties. During our review of internal controls, we noted the County Clerk's office lacks adequate segregation of duties. The County Clerk has segregated the receipts and disbursements ledger posting and bank reconciliations but the deputies receive revenues and write checks. The Clerk or another employee did not document oversight of any of these activities. Lack of oversight could result in misappropriation of assets and/or inaccurate financial reporting to external agencies such as Department of Local Government, which could occur and go undetected.

Due to an entities small size and budget restrictions an official may have limited options for establishing an adequate segregation of duties. In such cases, compensating controls should be implemented. A compensating control is a control that limits the severity of an internal control

deficiency and prevents it from rising to the level of a significant deficiency or a material weakness. The County Clerk has stated that compensating controls have been implemented. However, these controls are not sufficiently documented.

To adequately protect against misappropriation of assets and/or inaccurate financial reporting, the Clerk should completely segregate duties. If, due to a limited number of staff, that is not feasible, strong oversight over these areas should occur and involve an employee not currently performing any of those functions. Ideally, the County Clerk should provide this oversight. If the County Clerk does implement additional compensating controls, these should be evidenced on appropriate source documentation.

County Clerk's response: The County Clerk did not respond.

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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