



Auditor of Public Accounts  
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**Harmon Releases Audit of Magoffin Clerk's Fee Account**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2014 financial statement of Magoffin County Clerk Renee Arnett Shepherd. 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 revenues, expenditures and excess fees of the Magoffin 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 comments:

**The county clerk did not maintain appropriate and accurate accounting records.** The county clerk did not maintain appropriate and accurate accounting records for the 2014 fee account. During our proof of cash procedures, we could not reconcile the bank records to the clerk's receipts and disbursements ledgers. An adjustment of \$20,000 was required to agree the bank records to the receipts ledger. Failure to maintain appropriate and accurate accounting records can result in amounts being misrecorded or not recorded on the ledgers for receipts and disbursements, which can result in the amount of operating funds and excess fees being misreported. KRS 68.210 requires the clerk to maintain accurate and complete receipts and disbursements ledgers and to reconcile the bank records to the ledgers on a monthly basis. We

recommend that the county clerk implement controls that will detect posting errors or amounts not recorded on the ledgers.

*County Clerk's response: I understand how to fix now.*

**The county clerk's office lacks adequate segregation of duties.** The county clerk's office lacks adequate segregation of duties over the accounting and reporting functions of the clerk's office. The county clerk is responsible for receiving cash, preparing daily deposits, preparing and signing checks, posting to receipts and disbursements ledgers, preparing monthly bank reconciliations, and also comparing the weekly, monthly, and quarterly reports to the ledgers. A lack of segregation of duties increases the risk of undetected errors.

This condition is a result of a limited budget, which restricts the number of employees the county clerk can hire or delegate duties to.

A proper segregation of duties over the accounting and reporting functions such as reconciling bank records to the receipts and disbursements ledgers or implementing compensating controls, when necessary because of a limited number of staff, is essential for providing protection from undetected errors. Additionally, a proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

The county clerk should separate the duties involved in receiving cash, preparing deposits, writing checks, posting to ledgers, preparing monthly bank reconciliations, and comparing financial reports to ledgers. If this is not feasible due to a limited budget, cross-checking procedures could be implemented and documented by the individual performing the procedure.

*County Clerk's response: No response.*

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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