



Auditor of Public Accounts  
Adam H. Edelen

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

**Edelen Releases Audit of Former Warren Clerk's Fee Account**

**FRANKFORT, Ky.** – State Auditor Adam Edelen today released the audit of the 2014 financial statement of former Warren County Clerk Dorothy Owens. 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 former Warren 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 former County Clerk lacked adequate segregation of duties and had no written policy over accounts receivable.** A lack of adequate segregation of duties existed over accounts receivable in the former County Clerk's office. We noted the former County Clerk had no written policy for the allowance or collection of accounts receivable. We reviewed accounts receivable journals and noted employees who allowed charges were also responsible for the collection of the accounts receivable.

The lack of segregation of duties occurred because the former County Clerk failed to segregate incompatible duties or implement oversight when duties cannot be segregated. Lack of segregation of duties increased the risk of misappropriation of assets, errors, and inaccurate

financial reporting. Adequate segregation of duties over accounts receivable would have prevented the same person from having a significant role in these incompatible functions.

The former County Clerk should have required: a) proper authorization for accounts receivable charges and collections, b) documented reconciliation of accounts receivable by someone independent of accounts receivable charges and collections, and c) the adoption of a written policy over accounts receivable that details allowable charges and collection procedures.

*Former County Clerk's response: No response.*

**The former County Clerk had weaknesses in internal controls over payroll.** The former County Clerk's office had weaknesses in internal controls over the payroll process. The below weaknesses in internal control over the payroll process were allowed to occur because the former County Clerk's controls and oversight over the payroll process did not operate correctly. We noted the following weaknesses and the results of those weaknesses:

- Time reports were not always signed timely and dated by employees and the former County Clerk and/or supervisor which could result in incorrect timesheets being submitted and employees being over or under paid. For the time periods tested, four out of fifteen timesheets were signed two months after the time period by the employees.
- Employees could manually enter time into the time clock on the computer if they forget to clock in or out. This can be done by any employee who knows the password and will show up on the time clock report as added items with a + in bold font; however, there is no way of knowing who is making these changes which could also result in incorrect timesheets being submitted.
- Leave balance reports were not properly maintained. We noted instances where leave request forms were not always signed and dated by the employees or former County Clerk, leave time was taken without a leave request form in an employee's file, and leave time was taken with no leave time being deducted from that employee's leave balance report. We noted another instance where an employee's leave request form requested one sick day but the former County Clerk deducted one vacation day. By not maintaining adequate leave balance requests, it could result in leave balances not agreeing to balances maintained by employees. It could also result in employees being paid for hours not actually worked.

Good internal controls dictate that time reports should be properly signed and dated by employees and the County Clerk and/or supervisor. The time clock system in the computer should have been password protected where only the former County Clerk and/or designated payroll personnel had access to change. Leave requests for vacation, sick, compensatory time should have all be maintained and signed by the employees and former County Clerk and/or supervisor indicating which balance to deduct time from. The former County Clerk's office should have strengthened internal controls over the payroll process by implementing these procedures.

*Former 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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