



Auditor of Public Accounts
Mike Harmon

FOR IMMEDIATE RELEASE

Contact: Michael Goins
Michael.Goins@ky.gov
502.564.5841
502.209.2867

Harmon Releases Audit of Barren County Clerk's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the December 1 – 31, 2018 financial statement of Barren County Clerk Helena Chase Birdwell. 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 Barren 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 comment:

The Barren County Clerk's Office lacks adequate segregation of duties over receipts, disbursements, and reconciliation: The bookkeeper handles cash, prepares the consolidated daily checkouts, prepares and makes deposits, prepares receipts and disbursements ledgers, prepares and reconciles weekly/monthly reports, prepares checks, makes adjusting entries to ledgers and reports, and prepares monthly bank reconciliations. Documented compensating controls for receipts were noted, such as the county clerk recounting and initialing the deposit; however, comparisons to the daily checkout sheet and receipts ledger are not made. Documented compensating controls over disbursements were noted, such as two signatures on checks and the bookkeeper does not have signature authority. However, there is no comparison of checks written to the disbursements ledger. Therefore, compensating controls over receipts and disbursements

are not sufficient to offset the control deficiency. In addition, fee account bank reconciliations were not completed timely for bank statements received after the end of the audit period.

According to the county clerk, this condition was a result of a limited budget, which restricted the number of employees the county clerk can hire or delegate duties to. A lack of segregation of duties increases the risk of misappropriation of assets and inaccurate financial reporting.

Good internal controls dictate the same employee should not handle, record, and reconcile receipts. Furthermore, the same employee should not be responsible for preparing, recording, and reconciling disbursements. The segregation of duties over various accounting functions such as preparing deposits, recording receipts and disbursements, and preparing weekly/monthly reports, or the implementation of compensating controls is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. Also, timely bank reconciliations are vital in identifying unusual transactions that might be caused by fraud or accounting errors.

We recommend the county clerk strengthen internal controls by segregating these duties over receipts, disbursements, and the reconciliation process. If this is not feasible due to budgetary constraints, cross checking procedures could be implemented and documented by the individual performing the procedure. We also recommend the county clerk ensure bank reconciliations for all bank accounts be performed timely and reconciled to the financial records.

County Clerk's Response: Effective July 2019, I hired a part time deputy clerk that prepares the daily deposit, which is reviewed by myself or another supervisor in the office if I am absent. This includes recounting the monies for the daily deposit. At the end of each day, each deputy will now initial that they have \$20 start up cash left in their drawer and another deputy or myself will initial verifying the \$20.00. County Clerk or supervisor will initial/review overpayment disbursements with attached check and documentation confirming the amount of the overpayment. Book Keeper will reconcile the bank accounts monthly and the County Clerk will review and initialize that this was completed.

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.

