



Auditor of Public Accounts
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Harmon Releases Audit of Marion County Clerk's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2018 financial statement of Marion County Clerk Chad G. Mattingly. 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 Marion 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 Marion County Clerk's Office lacks segregation of duties: This is a repeat finding and was included in the prior year audit report as Finding 2017-002. All employees, including the county clerk, collect payments from customers and prepare receipts. At the end of each day, each deputy clerk reconciles their drawer to the Kentucky Automated Vehicle Information System (KAVIS) printout. The following day, a full-time deputy clerk prepares the daily checkout sheet and the deposit ticket. A different employee will compare the daily checkout sheet to the deposit ticket and the county clerk will take the deposit to the bank. There is no documentation of review on the daily checkout sheet, receipts ledger, or bank deposit receipt. When invoices are received for operating expenses, a full-time deputy clerk will post to the disbursements ledger, and prepare and sign the disbursement checks. All invoices are stamped paid and initialed by the deputy clerk

processing the disbursement. All disbursement checks require dual signatures. After the disbursement was entered into the ledger, there was no documentation of review when compared to the invoice or check. When reports are printed for required payments, the preparer will sign the report. There was no documentation of review on the reports or ledgers when they were compared to the disbursement check. When payroll is prepared, a deputy clerk will input the payroll data and print and sign the checks. The county clerk will sign all payroll checks, but there was no documentation of review when compared to the employee earnings report. The county clerk completes the bank reconciliation at the end of each month but there is no documentation of review. Therefore, it is not compared to the reports of required payments, or the quarterly report.

According to the county clerk, due to the limited staff size and cost to hire additional staff in the county clerk's office, segregation of duties is not possible. The county clerk has implemented some compensating controls to help offset the lack of segregation of duties, but the controls were not effective because they were not applied consistently during calendar year 2018. Without segregation of duties, the risk of material misstatements significantly increases because undetected errors and theft can occur.

Strong internal controls and procedures are vital to ensure proper segregation of duties over collecting, reporting, depositing, disbursing, and reconciling receipts and disbursements. If segregation of duties is not possible, effective compensating controls should be put in place, applied consistently, and evidenced.

We recommend the county clerk adequately segregate duties and implement compensating controls when segregation of duties is not feasible. We recommend that daily checkout sheets be initialed when compared to the KAVIS reports to verify transactions were reported in the accurate fund/account on the ledger and initial the bank deposit receipt when compared to the deposit ticket to verify the correct amount was deposited into the bank. After disbursement checks are processed for operating expenses, the disbursements ledger should be initialed after comparison to the invoice and disbursement check. When required payments are issued, we recommend the disbursement check be compared to the report and the report be initialed for review and comparison. When payroll checks are issued, the employee earnings report should be documented after comparison to the payroll check to verify accuracy. The review of bank reconciliations by another person should also be documented.

County Clerk's Response: We have double check procedures to be as proactive as possible in providing compensating controls.

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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