



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit for the period January 1, 2017 through March 31, 2017 of former Breckinridge County Clerk Jill Irwin. 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 former Breckinridge 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 comments:

The former county clerk lacked adequate segregation of duties over receipts and reconciliations: This is a repeat finding and was included in the prior year audit report as Finding 2016-001. Deputies prepare motor vehicle reports, collect receipts, and prepare deposits. The bookkeeper prepares ledgers and financial reports, reconciles ledgers, and reconciles checking accounts. According to the former clerk, this condition is a result of a limited budget, which restricts the number of employees the county clerk can hire for accounting functions. The lack of oversight could result in the undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department for Local Government (DLG). The segregation of duties over various accounting functions such as preparing deposits, recording receipts, reconciling bank statements, and preparing and reconciling quarterly 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. The former county clerk should have adequately segregated duties or implemented compensating controls over receipts and reconciliations. We recommend the county clerk's office properly segregate duties or implement sufficient compensating controls to mitigate the increased risk.

Former County Clerk's Response: The official did not respond.

The former county clerk's quarterly financial report was incorrect: When the quarterly financial report was prepared for the period of January 1, 2017 through March 31, 2017, interest of \$29.55 was omitted and outstanding liabilities of \$516,768.63 were also omitted. Since these items were not received or paid until April 2017, the bookkeeper left them off of the quarterly financial report. There was no oversight by the former county clerk to ensure accurate financial statement reporting performed by the bookkeeper. Internal controls failed to catch these omissions on the quarterly financial report, resulting in receipts of \$29.55 and disbursements of \$516,778.63 being omitted. Good internal controls promote good business practices providing reasonable assurance that financial records and reports are accurate. The lack of effective internal controls increases the risk that errors and fraud are detected late or possibly remain undetected. We recommend the Breckinridge County Clerk's Office strengthen internal controls in order to ensure accurate financial reporting.

Former County Clerk's Response: The official did not respond.

The former county clerk failed to properly settle with the fiscal court: In the period under audit, the former county clerk left office on March 31, 2017. On July 24, 2017, the former county clerk remitted a check to fiscal court in the amount of \$40,480.21 with no supporting documentation for the settlement amount. The current county clerk prepared and signed the first quarterly report sent to the Department of Local Government (DLG). The excess fee amount on this report did not match excess fees that were turned over to fiscal court.

According to the bookkeeper, the office was unaware that they needed to provide a quarterly financial statement with the excess fee check presented to fiscal court since it was in the middle of the year. Inaccurate financial reporting allows opportunity for the county clerk to misrepresent her financial status to the fiscal court and other administrative bodies.

KRS 64.152 requires the county clerk to present a complete statement of all funds received by their office and of all expenditures of their office, including the clerk's salary, compensation of deputies and assistants, and reasonable expenses. At the time of this filing, the clerk shall pay to the fiscal court any income of their office, including income from investments, which exceeds the sum of the clerk's maximum salary as permitted by the Constitution and other reasonable expenses, including compensation of deputies and assistants. KRS 64.830 requires each outgoing county official to make a final settlement with the fiscal court for all money received by them as county official. Additionally, adequate internal controls are essential to providing protection from asset misappropriation, and helping prevent inaccurate financial reporting.

We recommend the Breckinridge County Clerk's Office ensure that the fourth quarter financial report agree reasonably to the clerk's annual settlement, which should be presented to the fiscal court along with a check for excess fees.

Former County Clerk's Response: The official 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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