



Auditor of Public Accounts
Mike Harmon

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Harmon Releases Audit of Hopkins County Clerk's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2019 financial statement of Hopkins County Clerk Keenan Cloern. 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 Hopkins 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 Hopkins County Clerk did not have a written agreement to protect deposits: The Hopkins County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC); however, these funds were unsecured. As of December 31, 2019, the Hopkins County Clerk had bank deposits of \$394,737; FDIC insurance of \$250,000; and collateral pledged or provided of \$1,500,000. Even though the Hopkins County Clerk obtained sufficient collateral, there was no written agreement between the Hopkins County Clerk and the depository institution, signed by both parties, securing the clerk's interest in the collateral. Due to a lack of oversight, the Hopkins County Clerk failed to enter into this agreement with the depository institution when opening the bank account. As a result, the public funds were left unsecured and the clerk was not in compliance with federal law 12 U.S.C.A. § 1823(e).

According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. In addition, good internal controls dictate that management have strong oversight to ensure the office is in compliance with such statutes.

We recommend the clerk comply with federal law 12 U.S.C.A. § 1823(e) by obtaining a properly executed security agreement with the bank.

County Clerk's Response: In December of 2018 the transition from one depository to another was made after the end of a four year term. At that time, I met with all necessary parties of the new bank to ensure the pledge of security collateral was valid and covered in the amount of \$1,500,000. The depository provided me with a signed collateral pledge that had been approved by their board of directors which would, in fact, secure the clerk's interest in the collateral deposited.

Upon recommendation from the auditor, the clerk's office now has two signed collateral pledge agreements from the same financial institution.

At no single time were the clerk's funds ever compromised or being deposited without the proper pledge of security from the bank.

Auditor's Reply: Per our confirmation with the bank, there was no written collateral security agreement in place.

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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