



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the January 1 – February 29, 2020 financial statement of former LaRue County Clerk Linda Carter. 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 LaRue County Clerk in accordance with accounting principles generally accepted in the United States of America. The former clerk's financial statement did not follow this format. However, the former 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 former LaRue County Clerk's Office did not have adequate segregation of duties over receipts, disbursements, and Reconciliations: This is a repeat finding and was included in the prior year audit report as Finding 2019-001. The former county clerk's office did not have adequate segregation of duties over receipts, disbursements, and reconciliations. The former county clerk collected cash, had access to all cash, issued receipts, prepared daily checkout sheets and reports, deposit tickets, and reconciled daily, weekly, and monthly reports. In addition, the former county clerk prepared and signed checks, posted to the receipts and disbursements ledgers, reconciled the bank accounts, and prepared quarterly financial reports. Dual signatures were also not required on checks. A lack of oversight could result in the undetected misappropriation of assets and could also result in inaccurate financial reporting to external agencies, such as the Department for Local

Government (DLG). This condition is a result of a limited budget, which restricted the number of employees the former county clerk could hire or delegate duties to.

The segregation of duties over various accounting functions such as preparing deposits, preparing daily checkout sheets, posting to the ledgers, preparing checks, performing bank reconciliations and reports 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.

We recommend the county clerk's office segregate duties or implement documented compensating controls to mitigate this control deficiency to ensure accurate financial reporting. Adequate segregation of duties would prevent the same person from having a significant role in the receiving process, recording, and reporting of receipts and disbursements. If this is not feasible due to lack of staff, then cross checking procedures could be implemented and documented by the individual performing the procedure.

Former County Clerk's Response: The official did not provide a 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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