



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the August 1 – December 31, 2022 financial statement of McCracken County Clerk Jamie Huskey. 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 McCracken 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 finding:

The McCracken County Clerk's Office did not have adequate internal controls over the authorization of transactions: The McCracken County Clerk's Office did not have adequate internal controls over the authorization of transactions. Employees were capable of voiding motor vehicle transactions and cash payments without being required to obtain a supervisor's approval. Additionally, the McCracken County Clerk's Office did not give itemized receipts for all transactions.

The county clerk's software system, which is provided by the state, does not feature a setting to allow the county clerk to require a supervisor's approval when an employee voids a cash payment. Moreover, due to the design of the software, the county clerk's office is not capable of creating

reports that show cash payments were voided. Furthermore, according to staff, the county clerk's office was advised by the state to not issue customers itemized receipts from the motor vehicle department transactions due to the expense of issuing such receipts.

Because the software allowed cash payments to be voided without the approval of a supervisor, an employee of the county clerk's office was able to perpetrate theft. Furthermore, because itemized receipts were not issued to customers and because reports for voided cash payments cannot be created or run by the county clerk's office, the employee was able to continually perpetrate theft undetected for several months.

Strong internal controls dictate that risky transactions, such as voided payments, require supervisory approval before the transactions can be completed.

We recommend the McCracken County Clerk contact the state to determine how to best address the issue with the state's software not featuring a setting to allow the county clerk to require a supervisor's approval when an employee voids a cash payment. We further recommend that the county clerk continue to utilize the software setting that requires supervisory approval to void motor vehicle transactions. Furthermore, we recommend the county clerk require itemized receipts be issued for all transactions. We also recommend the county clerk implement compensating controls such as random cash counts and review of voided transactions.

County Clerk's Response: I appreciate your recommendations and comments, I have set in place all recommendations to ensure this does not happen again in McCracken County Clerk's Office or any Clerk's Office in the Commonwealth of Kentucky.

As pointed out in the comments and recommendations section of McCracken County's 2022 audit, the state has not provided any software for voided payments. Per email June 5, 2018 8:31 am, from [name redacted], Kavis Project Manager with Ky Transportation Cabinet. Manager approval can only be used for the following (which none are the methods in which the employee was purloining money). Email available upon request.

- 1. Issue Refunds*
- 2. Force and Void Avis Items*
- 3. Reconcile Drawer out of Balance.*

The state sends a report the following day of all voided transactions however such report does not exist for voided payments or suspended transactions.

McCracken County Clerk's Office had manager approval for all available options.

Numbered motor vehicle receipts were issued, however itemized receipts were not.

The Deputy Clerk that was involved in the theft was balanced every day and this is why it was not caught with The Clerk's Office internal controls or by the Auditor of Public Accounts in the yearly audits. Once the employee made a mathematical error in his scheme, the County Clerk's Office internal controls caught the theft. The Clerk's Office contacted the McCracken County Attorney's

Office along with McCracken County Sheriff's Office. The County Attorney notified the Attorney General's Office along with McCracken County Sheriff's Office. The County Attorney notified the Attorney General's Office for investigation. The Auditor of Public Accounts was notified by Jamie Huskey, McCracken County Clerk once given permission by the Attorney General's Office.

McCracken County Clerk has implemented random cash drawer counts, along with giving each customer itemized receipts. The Clerk has also notified the President of the Clerk's Association and asked that all Clerks be made aware of the situation. After the investigation is complete, the McCracken County Clerk intends on reaching out to the State Transportation Department about the current software.

Again, once the employee made a mathematical error in his scheme, the Clerk's Office internal controls caught the theft that the County Clerk's Office and The Auditor of Public Accounts Office had missed over a period of time.

Auditor's Reply: The McCracken County Clerk's office failed to disclose the fact they had discontinued providing itemized receipts for motor vehicle transactions. We found that customers were provided their registration, but no itemized receipt. Auditors were provided a copy of an itemized receipt that had been reprinted from the system. If the McCracken County Clerk had required system generated itemized receipts be issued to customers, the voided payments issue may have been caught by supervisors or customers.

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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