



Auditor of Public Accounts
Mike Harmon

FOR IMMEDIATE RELEASE

Contact: **Michael Goins**
Michael.Goins@ky.gov
502.564.5841
502.209.2867

Harmon Releases Audit of Former Shelby County Clerk's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2022 financial statement of former Shelby County Clerk Sue Carole Perry. 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 Shelby 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 findings:

The former Shelby County Clerk 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 2021-001. The county clerk's office did not have adequate segregation of duties over the accounting and reporting functions of the clerk's office. The bookkeeper's responsibilities included receiving cash, preparing daily deposits, preparing checks, signing checks on occasion, posting to receipts and disbursements ledgers, preparing monthly bank reconciliations, and also comparing the weekly, monthly and quarterly reports to the ledgers.

The former county clerk indicated the office did not have enough funds to hire additional personnel to segregate duties. The former county clerk did not have segregation of duties over accounting functions included as part of the office internal control policies and procedures.

A lack of segregation of duties over financial functions increases the risk that misstatements due to undetected errors or theft could occur. A lack of adequate segregation of duties could result in undetected misappropriation of assets and inaccurate financial reporting. Good internal controls dictate the same employee should not handle, record, and reconcile receipts. Further, the same employee should not be responsible for preparing, recording, and reconciling disbursements. The segregation of duties over various accounting functions such as opening mail, preparing deposits, recording receipts and disbursements, preparing monthly reports, and reconciling bank accounts 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. If this is not feasible due to budgetary constraints, cross checking procedures or compensating controls could be implemented and documented by the individual performing the review procedure.

We recommend the county clerk's office separate the duties involved in receiving cash, preparing deposits, writing checks, posting to ledgers, preparing monthly bank reconciliations and comparing financial reports to ledgers. If this is not feasible, cross-checking procedures should be implemented and documented by the individual performing the review procedure. This individual should not be involved in performing the accounting functions they reviewed.

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

The former Shelby County Clerk did not have segregation of duties over payroll processing:

This is a repeat finding and was included in the prior year audit report as Finding 2021-002. The former county clerk did not have segregation of duties over payroll processing. The former county clerk performed all payroll related duties, with the exception that she paid retirement and health insurance for her and her employees to the fiscal court, and the county treasurer paid those agencies accordingly for the former county clerk and her staff. The former county clerk prepared payroll in the software program each pay period, including payroll checks which were automatically deposited to her and her employees' bank accounts, payroll tax reports and payments, and payments to vendors for optional insurance her employees have (i.e., life and dental, etc.), recorded payments in the disbursements ledger, and reconciled the payroll transactions in the bank account statements.

During our testing of payroll, the following issues were noted:

- Timesheets for employees for the second pay period in October were not signed by a supervisor.
- Timesheet for one employee was missing for the second pay period in October.

The former county clerk indicated the office did not have enough funds to hire additional personnel to segregate duties and the former county clerk did not have segregation of duties over payroll functions included in the office internal controls policies and procedures.

A lack of segregation of duties over financial functions increases the risk that misstatements due to undetected errors or theft could occur. A lack of adequate segregation of duties could result in undetected misappropriation of assets and inaccurate financial reporting.

Good internal controls dictate the same employee should not prepare payroll each pay period, prepare payroll checks and payments of taxes and withholdings to respective agencies, record payroll disbursements in the ledger, and reconcile the payroll disbursements to the bank statement. Each timesheet should be signed by the employee and their supervisor. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. If this is not feasible, cross checking procedures or compensating controls could be implemented and documented by the individual performing the review procedure.

We recommend the county clerk's office separate the duties involved in preparing payroll each pay period, including payroll checks and payments of taxes and withholdings to respective agencies, recording payroll disbursements in the ledger, and reconciling the payroll transactions to the bank statement. If this is not feasible, cross-checking procedures should be implemented and documented by the individual performing the review procedure. This individual should not be involved in performing the accounting functions they reviewed. We also recommend the county clerk's office maintain timesheets for all employees for every pay period. The timesheets should be reviewed and signed by the county clerk or employee supervisor.

Former County Clerk's Response: The former 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](#).

###

The Auditor of Public Accounts ensures that public resources are protected, accurately valued, properly accounted for, and effectively employed to raise the quality of life of Kentuckians.

Call 1-800-KY-ALERT or visit our website to report suspected waste and abuse.

