

**REPORT OF THE AUDIT OF THE  
FORMER MCCRACKEN COUNTY  
CLERK**

**For The Period  
January 1, 2022 Through July 31, 2022**



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

Independent Auditor's Report

The Honorable Craig Clymer, McCracken County Judge/Executive  
The Honorable Julie Griggs, Former McCracken County Clerk  
The Honorable Jamie Huskey, McCracken County Clerk  
Members of the McCracken County Fiscal Court

**Report on the Audit of the Financial Statement**

**Opinions**

We have audited the accompanying Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the former County Clerk of McCracken County, Kentucky, for the period January 1, 2022 through July 31, 2022, and the related notes to the financial statement.

*Unmodified Opinion on Regulatory Basis of Accounting*

In our opinion, the accompanying financial statement presents fairly, in all material respects, the receipts, disbursements, and excess fees of the former McCracken County Clerk for the period January 1, 2022 through July 31, 2022, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

*Adverse Opinion on U.S. Generally Accepted Accounting Principles*

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statement does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the former McCracken County Clerk, as of July 31, 2022, or changes in financial position or cash flows thereof for the period then ended.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Audit Program for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the former McCracken County Clerk and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



The Honorable Craig Clymer, McCracken County Judge/Executive  
The Honorable Julie Griggs, Former McCracken County Clerk  
The Honorable Jamie Huskey, McCracken County Clerk  
Members of the McCracken County Fiscal Court

### **Basis for Opinion (Continued)**

#### *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles*

As described in Note 1 of the financial statement, the financial statement is prepared by the former McCracken County Clerk on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

### **Responsibilities of Management for the Financial Statement**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibilities for the Audit of the Financial Statement**

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the former McCracken County Clerk's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the former McCracken County Clerk's ability to continue as a going concern for a reasonable period of time.

The Honorable Craig Clymer, McCracken County Judge/Executive  
The Honorable Julie Griggs, Former McCracken County Clerk  
The Honorable Jamie Huskey, McCracken County Clerk  
Members of the McCracken County Fiscal Court

**Auditor's Responsibilities for the Audit of the Financial Statement (Continued)**

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we have identified during the audit.

**Emphasis of Matter**

As discussed in Note 6 to the financial statement, the McCracken County Clerk's office discovered instances in which an employee allegedly perpetrated theft during the period.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2023, on our consideration of the former McCracken County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the former McCracken County Clerk's internal control over financial reporting and compliance.

Based on the results of our audit, we have presented the accompanying Schedule of Findings and Responses, included herein, which discusses the following report finding:

2022-001 The Former McCracken County Clerk's Office Did Not Have Adequate Internal Controls Over The Authorization Of Transactions

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts  
Frankfort, KY

October 30, 2023

MCCRACKEN COUNTY  
 JULIE GRIGGS, FORMER COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Period January 1, 2022 Through July 31, 2022

Receipts

State Fees For Services	\$	5,388	
Fiscal Court			86,381
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	1,469,036	
Usage Tax		5,560,717	
Tangible Personal Property Tax		6,505,338	
Notary Fees		4,788	
Lien Fees		22,274	
Other-			
Marriage Licenses		14,400	
Beer and Liquor Licenses		9,114	
Deed Transfer Tax		298,367	
Delinquent Tax		670,945	14,554,979
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		110,917	
Real Estate Mortgages		159,039	
Chattel Mortgages and Financing Statements		110,064	
Powers of Attorney		7,790	
Affordable Housing Trust		46,200	
Clerk Storage		5,930	
All Other Recordings		79,680	
Charges for Other Services-			
Candidate Filing Fees		680	
Copy Work		6,003	
Postage		17,833	
Refunds		117,957	662,093

The accompanying notes are an integral part of this financial statement.



MCCRACKEN COUNTY  
 JULIE GRIGGS, FORMER COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Period January 1, 2022 Through July 31, 2022  
 (Continued)

Receipts (Continued)

Other:

Miscellaneous	\$	5,384	
Check Service Charges		<u>1,017</u>	\$ 6,401
Interest Earned			<u>317</u>
Total Receipts			15,315,559

Disbursements

Payments to State:

Motor Vehicle-			
Licenses and Transfers	\$	1,079,240	
Usage Tax		5,393,467	
Tangible Personal Property Tax		2,105,160	
Licenses, Taxes, and Fees-			
Marriage Licenses		954	
Delinquent Tax		78,106	
Legal Process Tax		22,475	
Spouse Abuse		2,870	
Affordable Housing Trust		46,200	
Libraries and Archives		<u>8,173</u>	8,736,645
Payments to Fiscal Court:			
Tangible Personal Property Tax		523,945	
Delinquent Tax		71,935	
Deed Transfer Tax		283,449	
Clerk Storage Fee		5,930	
Beer and Liquor Licenses		<u>9,099</u>	894,358
Payments to Other Districts:			
Tangible Personal Property Tax		3,616,019	
Delinquent Tax		<u>314,276</u>	3,930,295
Payments to Sheriff			54,874

The accompanying notes are an integral part of this financial statement.

MCCRACKEN COUNTY  
 JULIE GRIGGS, FORMER COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Period January 1, 2022 Through July 31, 2022  
 (Continued)

Disbursements (Continued)

Payments to County Attorney		\$ 86,447	
Other Regulatory Payments:			
Other Refunds		<u>140,942</u>	
Operating Disbursements:			
Other Charges-			
Bank Charges	\$ 1,108		
Bad Debt Expense	<u>1,472</u>	<u>2,580</u>	
Total Disbursements			<u>\$ 13,846,141</u>
Net Receipts			1,469,418
Less: Statutory Maximum			<u>73,691</u>
Excess Fees			1,395,727
Less: Expense Allowance		2,100	
Training Incentive Benefit		<u>4,679</u>	<u>6,779</u>
Excess Fees Due County for 2022			1,388,948
Payments to Fiscal Court - Monthly			<u>1,390,025</u>
Balance Due From Fiscal Court at Completion of Audit*			<u>\$ (1,077)</u>

\* - Negative balance is due to an error when calculating the former county clerk's salary in which she was underpaid by \$1,097. The balance is offset by interest that was accrued after year-end that is due to the fiscal court in the amount of \$20.

MCCRACKEN COUNTY  
NOTES TO FINANCIAL STATEMENT

July 31, 2022

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the county clerk as determined by the audit. KRS 64.152 requires the county clerk to pay to the governing body of the county any fees, commissions, and other income of his or her office, including income from investments, which exceed the sum of his or her maximum salary as permitted by the Constitution and other reasonable expenses, including compensation of deputies and assistants by March 15 of each year. KRS 64.830 requires an outgoing clerk to make a final settlement with the fiscal court by March 15 immediately following the expiration of his or her term of office.

The financial statement has been prepared on a regulatory basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This basis demonstrates compliance with the laws of Kentucky and is a special purpose framework. Under this regulatory basis of accounting, receipts and disbursements are generally recognized when cash is received or disbursed, with the exception of accrual of the following items (not all-inclusive) as of December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2022 services
- Reimbursements for 2022 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2022

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the county treasurer in the subsequent year.

C. Cash and Investments

KRS 66.480 authorizes the county clerk's office to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MCCRACKEN COUNTY  
NOTES TO FINANCIAL STATEMENT  
July 31, 2022  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Fee Pooling

The McCracken County Clerk's office was required by the fiscal court to participate in a fee pooling system. Fee officials who are required to participate in fee pooling deposit all funds collected into their official operating account. The county clerk is responsible for paying all amounts collected for others and applicable refunds to customers. Residual funds are then paid to the county treasurer on a monthly basis. Invoices are submitted to the county treasurer to document operating expenses. The fiscal court pays all operating expenses for the fee official.

Note 2. Employee Retirement System and Other Post-Employment Benefits

The clerk's office has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Kentucky Public Pensions Authority (KPPA). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent of their salary to be allocated as follows: five percent will go to the member's account and one percent will go to the CERS insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute five percent of their annual creditable compensation. Nonhazardous members also contribute one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the CERS Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008, must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

The county's contribution rate for nonhazardous employees was 26.95 percent for the first six months and 26.79 percent for the period July 1 through July 31, 2022.

MCCRACKEN COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 July 31, 2022  
 (Continued)

Note 2. Employee Retirement System and Other Post-Employment Benefits (Continued)

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<b>Years of Service</b>	<b>% Paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, they earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Benefits are covered under KRS 78.5536.

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous

Once members reach a minimum vesting period of 15 years, they earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5 percent. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5 percent cost of living adjustment (COLA) since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

Tier 2 member benefits are covered by KRS 78.5536. Tier 3 members are not covered by the same provisions.

C. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of KRS benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5 percent. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

MCCRACKEN COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 July 31, 2022  
 (Continued)

Note 2. Employee Retirement System and Other Post-Employment Benefits (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

D. Cost of Living Adjustments - Tier 2 and Tier 3

No COLA is given unless authorized by the legislature with specific criteria. To this point, no COLA has been authorized by the legislature for Tier 2 or Tier 3 members.

E. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KRS will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

Kentucky Retirement Systems Annual Financial Report and Proportionate Share Audit Report

Kentucky Retirement Systems issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Kentucky Retirement Systems also issues proportionate share audit reports for both total pension liability and other post-employment benefits for CERS determined by actuarial valuation as well as each participating county's proportionate share. Both the Schedules of Employer Allocations and Pension Amounts by Employer and the Schedules of Employer Allocations and OPEB Amounts by Employer reports and the related actuarial tables are available online at <https://kyret.ky.gov>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

Note 3. Deposits

The former McCracken County Clerk maintained deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The DLG Manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county clerk and the depository institution, signed by both parties, that is (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. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the county clerk's deposits may not be returned. The former McCracken County Clerk did not have a deposit policy for custodial credit risk, but rather followed the requirements of the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of July 31, 2022, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

MCCRACKEN COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 July 31, 2022  
 (Continued)

Note 4. On Behalf Payments

The McCracken County Clerk's office was required by the fiscal court to participate in a fee pooling system. Since the former county clerk was fee pooling, the fiscal court paid the former county clerk's statutory maximum, expense allowance, and training incentive as reflected on the former county clerk's financial statement. For the period January 1, 2022 through July 31, 2022, the fiscal court's contributions recognized by the former county clerk included the amounts that were based on the statutory maximum as required by KRS 64.5275. The former McCracken County Clerk recognized receipts from the fiscal court and disbursements for the statutory maximum of \$73,691, training incentive of \$4,679, and expense allowance of \$2,100 for the period January 1, 2022 through July 31, 2022.

Note 5. Fiduciary Account - Escrow Account

The McCracken County Clerk's office deposited outstanding checks into a custodial bank account. When statutorily required, the county clerk's office will turn over the escrowed funds to the Kentucky State Treasurer as unclaimed property. The escrowed amounts were as follows:

2019	\$1,185
2020	\$1,326

Note 6. Subsequent Events

A. County Clerk Retirement

The former McCracken county clerk retired on July 31, 2022 and a new county clerk was appointed by the county judge/executive on August 1, 2022.

B. Alleged Employee Theft

On September 11, 2023, the incoming McCracken County Clerk informed auditors of instances of alleged theft that was perpetrated by an employee during the period January 1, 2022 through July 31, 2022.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

The Honorable Craig Clymer, McCracken County Judge/Executive  
The Honorable Julie Griggs, Former McCracken County Clerk  
The Honorable Jamie Huskey, McCracken County Clerk  
Members of the McCracken County Fiscal Court

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Program for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky, the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the former McCracken County Clerk for the period January 1, 2022 through July 31, 2022, and the related notes to the financial statement and have issued our report thereon dated October 30, 2023. The former McCracken County Clerk's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the former McCracken County Clerk's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the former McCracken County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the former McCracken County Clerk's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2022-001 to be a material weakness.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

**Report on Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the former McCracken County Clerk's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Views of Responsible Official and Planned Corrective Action**

*Government Auditing Standards* requires the auditor to perform limited procedures on the former McCracken County Clerk's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Responses. The former McCracken County Clerk's response was not subjected to the other auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the response.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts  
Frankfort, KY

October 30, 2023

## SCHEDULE OF FINDINGS AND RESPONSES

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MCCRACKEN COUNTY  
JULIE GRIGGS, FORMER COUNTY CLERK  
SCHEDULE OF FINDINGS AND RESPONSES

For The Period January 1, 2022 Through July 31, 2022

INTERNAL CONTROL – MATERIAL WEAKNESS:

2022-001 The Former McCracken County Clerk's Office Did Not Have Adequate Internal Controls Over The Authorization Of Transactions

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The former 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 former McCracken County Clerk's office did not give itemized receipts for all transactions.

The former county clerk's software system, which was provided by the state, did not feature a setting to allow the former county clerk to require a supervisor's approval when an employee voided a cash payment. Moreover, due to the design of the software, the former county clerk's office was not capable of creating reports that showed cash payments were voided. Furthermore, according to staff, the former 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 could be created or ran 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.

The former McCracken County Clerk should have required itemized receipts be issued for all transactions. Also, the former county clerk should have implemented compensating controls such as random cash counts and review of voided transactions.

*Former County Clerk's Response: This is in response to the Auditor findings for calendar year 2022. In this audit it was the recommendation of the Auditors office that the Clerks office should have utilized a software setting that required supervisory approval to void motor vehicle transactions. However, in the "Cause" section of the report, the findings of the Auditors office state the software system provided to the Clerks office by the state of Kentucky did not feature such a setting to allow for requirement of a supervisors approval when an employee voided a motor vehicle transaction or for voided cash payments. Manager approval can only be used for issuing refunds, force and void Avis items and reconcile drawer and balance per the email of [name redacted], Kavis Project Mgr with the Kentucky Transportation Cabinet, dated 6/5/18 at 8:31a.m. The McCracken County Clerks office has manager approval for all these available options. The state sends a report the following day for all voided transactions however, there is no such report available for voided payments or suspended transactions. The Deputy Clerk involved in the theft balanced every day and this is why it was not caught by the Clerks office internal controls or the Auditor of Public Accounts in their yearly audits. Also noted was a recommendation there should have been required itemized receipts for motor vehicle transactions. While receipts were issued, an itemized receipt was not because of advisement from the state to not issue those due to the expense to issue such lengthy receipts.*

*As I retired July 31,2022, I am unable to implement any new policies for the Clerks office but I certainly would have done so to help aid in the detection of any theft involved in the office.*

MCCRACKEN COUNTY  
JULIE GRIGGS, FORMER COUNTY CLERK  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Period January 1, 2022 Through July 31, 2022  
(Continued)

INTERNAL CONTROL – MATERIAL WEAKNESS: (Continued)

2022-001 The Former McCracken County Clerk's Office Did Not Have Adequate Internal Controls Over  
Authorization Of Transactions (Continued)

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Auditor's Reply: The former 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 former 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 incoming McCracken County Clerk advised the auditors that the appropriate law enforcement agencies have been notified.