



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 Todd County Clerk's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the January 7 – August 10, 2019 financial statement of former Todd County Clerk Leslie Cunningham. 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 Todd 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 comments:

The former county clerk's office lacked adequate segregation of duties: The former county clerk was responsible for receiving cash, preparing daily checkout sheets, preparing financial reports, entering items into the ledgers, signing checks, and preparing monthly bank reconciliations.

A lack of segregation of duties existed over the financial functions of the county clerk's office because a limited number of employees were available to properly segregate these job duties. A lack of segregation of duties could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department for Local Government (DLG).

Segregation of duties or the implementation of compensating controls, when needed because of the number of staff is limited, is essential for providing protection to employees in the normal course of performing their duties and can also help prevent inaccurate financial reporting and misappropriation of assets.

We recommend the county clerk's office segregate the duties over these areas in order to adequately protect employees in the normal course of performing their duties and to help prevent misappropriation of assets and inaccurate financial reporting. If the county clerk's office cannot segregate duties, we recommend the implementation of compensating controls over these processes to mitigate the risks.

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

The former county clerk's final quarterly report was significantly overstated: Receipts were overstated by \$60,009 and disbursements were over stated by \$61,389 due to items being reported in 2019 that were related to financial activity from the previous calendar year.

According to the current county clerk, who prepared the final quarterly report, these items were included in the final quarterly report in an attempt to balance the report and to show all transactions in the accounts. By including these prior year receipts and disbursements, the financial statement was materially overstated.

Good internal controls dictate that all financial reports only include transactions for the correct fiscal period in order to present an accurate and clear picture of the office's financial standing.

We recommend that the clerk's quarterly report only include transactions related to the current calendar year.

Current 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](#).

###

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.

