



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the October 1 – December 31, 2020 financial statement of Crittenden County Clerk Daryl Tabor. 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 Crittenden 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 comments:

The Crittenden County Clerk's fourth quarter financial statement was materially inaccurate: The Crittenden County Clerk's fourth quarter financial statement, for the period October 1, 2020 through December 31, 2020, was materially inaccurate. The receipts were overstated by \$1,601,989 and disbursements were overstated by \$1,498,927. Numerous adjustments were required to agree the fourth quarter financial statement to the county clerk's ledgers.

This was due to an error when preparing the fourth quarter financial statement that was presented to fiscal court. The financial statement that was approved by the fiscal court included the first, second, and third quarters of the year, which were the receipts and disbursements of the prior clerk and were reported separately. Due to the clerk's fourth quarter including the prior clerk's receipts and

disbursements, the fourth quarter financial statement is materially misstated and in noncompliance with KRS 68.210 and the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires accurate financial reporting. Fee officials use 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. Each period stands alone in accounting for receipts and disbursements and should be accounted for accordingly in each audit period.

We recommend the Crittenden County Clerk's office maintain accurate financial reports, and separate receipts and disbursements by audit period in the future.

County Clerk's Response: The erroneous inclusion of the previous county clerk's three quarters of activity on my fourth quarter financial statement were unique to the circumstances of a retirement and subsequent appointment of a new county clerk amid a financial year. Therefore, no future circumstances under my term of office can exist where I conclude the financial year of another clerk.

The Crittenden County Clerk's Office lacks adequate segregation of duties over their disbursements process: The clerk writes checks, signs checks, and posts the disbursements to the ledgers. According to the county clerk, this was the process that he chose to use, as he is ultimately responsible for the office's finances.

A lack of segregation of duties or strong oversight increases the risk of undetected errors or fraud. Proper segregation of duties over the accounting and reporting functions, or the implementation of compensating controls when necessary because of limited staff, is essential for providing protection from undetected errors. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the Crittenden County Clerk separate the duties involved in writing checks and posting to the disbursements ledgers. If this is not feasible due to a limited budget, dual signatures on checks, and cross-checking procedures should be implemented and documented by the individual performing the procedures.

County Clerk's Response: Corrective action requiring two signatures on all checks, save payroll funds, was immediately taken upon recommendation so as to create proper checks and balances and help segregate duties associated with disbursements. This includes initialing invoices to ensure accuracy of the check amount. For the sake of keeping employee compensation confidential among office staff, only the county clerk's signature will be added to payroll fund contribution checks; however, those amounts are confirmed by county treasurer-review.

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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