



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2020 financial statement of McLean County Clerk Carol Eaton. 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 McLean 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 comment:

The McLean County Clerk's Office does not have adequate segregation of duties: During calendar year 2020, the county clerk's office did not have adequate segregation of duties over the accounting and reporting functions of the clerk's office. The county clerk posted to the ledgers, prepared all reports, prepared and signed the checks, and performed the monthly bank reconciliations.

According to the county clerk, a lack of segregation of duties existed over the accounting and reporting functions of the clerk's office because a limited number of employees were available to properly segregate these job duties. Although compensating controls were in place, they were not effective. A lack of segregation of duties could result in the undetected misappropriation of assets

and inaccurate financial reporting to external agencies such as the Department for Local Government (DLG), to occur. Segregation of duties or the implementation of compensating controls, when needed because 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 segregate the duties over the accounting and reporting functions 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. The county clerk should strength compensating controls and ensure that they are effective.

County Clerk's Response: Review current Compensating Controls policy, update those policies to prevent future errors.

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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