



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the January 1, 2018 – January 6, 2019 financial statement of former Powell County Clerk Karen Graham. 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 Powell 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 comment:

The former county clerk's office lacked adequate segregation of duties over disbursements: This is a repeat finding and was included in the prior year audit report as Finding 2017-001. The former county clerk's office lacked adequate segregation of duties over disbursements without sufficient compensating controls. The former county clerk indicated that due to the size of the office, she was restricted on the number of employees that she could delegate duties to.

The lack of segregation of duties increased the risk of misappropriation of assets, errors, and inaccurate financial reporting. Strong internal controls and segregation of duties over disbursements help ensure accurate financial reporting. If segregation of duties is not possible, compensating controls or independent checks are needed to mitigate the risks. We recommend the

county clerk's office segregate incompatible duties over disbursements or implement compensating controls to help mitigate risks.

Former County Clerk's Response: Due to limited staff and funding, it is difficult for a small county office to have designated job duties. Clerk's staff practiced a rotation system.

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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