



Auditor of Public Accounts
Mike Harmon

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Harmon Releases Audit of Former Estill County Clerk's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2018 financial statement of former Estill County Clerk Sherry Fox. 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 Estill 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: This is a repeat comment and was included in the prior year audit report as Finding 2017-001. The former county clerk's office lacked adequate segregation of duties. According to the former county clerk, due to a small staff size the responsibilities of receiving, recording, depositing, disbursing, reporting, and reconciling funds were delegated to the same individual. The former county clerk prepared all weekly and monthly reports, signed all checks, performed all bookkeeping duties, and prepared all bank reconciliations. Since only one person performed these functions, there is no assurance that financial transactions are accurate, complete, and free of error/misstatement. It increases the risk of undetected fraud and errors.

The functions of receiving, recording, depositing, disbursing, reporting, and reconciling should be separated whenever possible in order to decrease the risk of undetected errors, misstatements, and fraud. If duties cannot be segregated due to a small staff size, the county clerk could implement and document compensating controls to reduce the risk of inadequate segregation of duties. Examples of compensating controls include: another employee comparing daily checkout sheet to receipts ledger and bank deposit, reviewing bank reconciliations for accuracy, reviewing invoices prior to payment, and reviewing all financial reports. The employee should document the review process by initialing reports and supporting documentation. We recommend the county clerk's office segregate the duties of recording, depositing, disbursing, reporting, and reconciling funds or implement and document compensating controls to offset this control weakness.

Former County Clerk's Response: The former county clerk 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](#).

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