



Auditor of Public Accounts
Mike Harmon

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Harmon Releases Audit of Harlan County Clerk's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2019 financial statement of Harlan County Clerk Donna Hoskins. 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 Harlan 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 Harlan County Clerk does not have adequate segregation of duties over disbursements: The chief deputy prepares the weekly, monthly, and quarterly reports. In addition, the county clerk and chief deputy can prepare checks and post to the disbursement ledger. The county clerk has documented compensating controls over disbursements such as dual signatures on all checks, however the controls were not sufficient to detect errors in disbursements to the Kentucky State Treasurer resulting in overpayments to the state for vehicle taxes.

According to the county clerk, the county clerk's office has a limited budget which restricts the number of employees, and prevents a proper segregation of duties. Without proper segregation of duties, undetected misappropriation of assets or inaccurate financial reporting could occur. Strong

internal controls over disbursements are vital in ensuring payments for taxes made to the Kentucky State Treasurer, county, and other districts are for the correct amount and that the fourth quarter financial report accurately reflects the financial activity of the clerk's office.

We recommend the county clerk segregate duties over disbursements. Since segregation of duties is not feasible due to lack of staff, we recommend the county clerk implement controls over disbursements to ensure that payments are correct based upon monthly reports and reported correctly on the fourth quarter financial report.

County Clerk's Response: Due to the number of employees in our office, I do have compensating controls in place but I need to include our offsite accountant to triple check over disbursements.

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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