



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2020 financial statement of Knott County Clerk Maurica “Reci” Cornett. 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 Knott 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 county clerk did not have segregation of duties over receipts: This is a repeat finding and was included in the prior year audit report as Finding 2019-001. The bookkeeper collects cash, prepares the daily checkout sheets, prepares monthly tax reports, and posts to the receipts ledger. These incompatible duties create a lack of segregation of duties over receipts. To adequately protect assets from misappropriation and inaccurate financial reporting, duties involving collecting cash, preparing daily checkout sheets, preparing monthly tax reports, and posting to the receipts ledger should be separated.

According to the county clerk, the office has a limited budget which restricts the number of employees, and prevents a proper segregation of duties. This deficiency increases the risk of misappropriation of assets, errors, and inaccurate financial reporting.

Segregation of duties over cash collections, daily checkout procedures, and deposit preparation are essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. Also, the county clerk can implement oversight when duties cannot be segregated.

We recommend the county clerk separate the duties involved in receiving cash, preparing bank deposits, posting to ledger, and preparation of reports. If segregation of duties is not feasible due to lack of staff, the county clerk can implement compensating controls. Additionally, the county clerk could deliver the daily checkout sheets to the outside firm that generates financial reports for the clerk, and request a computerized receipts ledger be generated with the original source documents.

County Clerk's Response: We the Knott County office has limited number of employees, due to our budget. This has made it difficult to segregate duties as recommended by the auditor. This will be looked at, and try to correct to the best of our ability. Lords willing I can make this happen.

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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