

**REPORT OF THE AUDIT OF THE
FORMER ESTILL COUNTY
CLERK**

**For The Year Ended
December 31, 2021**



**ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS
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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

The Honorable Donnie Watson, Estill County Judge/Executive
The Honorable Brian Crowe, Former Estill County Clerk
The Honorable Kimberly Charles, Estill County Clerk
Members of the Estill County Fiscal Court

Report on the Audit of the Financial Statement

Disclaimer of Opinion

We were engaged to audit the financial activity included in the Fourth Quarter Financial Statement of the former County Clerk of Estill County, Kentucky, for the year ended December 31, 2021, and the related notes to the financial statement.

We do not express an opinion on the accompanying financial statement of the former Estill County Clerk. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statement, and, accordingly, we do not express an opinion on it.

Basis for Disclaimer of Opinion

The former Estill County Clerk had an ineffective internal control environment and failed to implement effective segregation of duties, oversight, and review procedures to prevent and detect errors, misstatements, and fraud in the former county clerk's financial activities. Further, the former Estill County Clerk failed to maintain accurate accounting records to allow us to apply audit procedures to satisfy ourselves as to the validity and completeness of fee account receipts and disbursements for calendar year 2021. Based on these conditions, we determined the fraud risk to be too high and were unable to apply other procedures to mitigate this risk. The significance of these issues, in the aggregate, prevents us from placing reliance on the financial activities contained in the former Estill County Clerk's Fourth Quarter Financial Statement and from expressing an opinion on the financial statement of the former Estill County Clerk.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.



The Honorable Donnie Watson, Estill County Judge/Executive
 The Honorable Brian Crowe, Former Estill County Clerk
 The Honorable Kimberly Charles, Estill County Clerk
 Members of the Estill County Fiscal Court

Auditor's Responsibilities for the Audit of the Financial Statement

Our responsibility is to conduct an audit of the former Estill County Clerk's financial statement in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Audit Standards, issued by the Comptroller General of the United States and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statement.

We are required to be independent of the former Estill County Clerk and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2024, on our consideration of the former Estill County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the former Estill County Clerk's internal control over financial reporting and compliance.

Based on the results of our audit, we have presented the accompanying Schedule of Findings and Responses, included herein, which discusses the following report findings:

- 2021-001 The Former Estill County Clerk Failed To Implement An Effective Internal Control Environment And Failed To Perform The Duties Of His Office
- 2021-002 The Former Estill County Clerk Overspent Available Funds And Has A Known Deficit Of At Least \$58,027 In His 2021 Fee Account
- 2021-003 The Former Estill County Clerk's Office Lacked Adequate Segregation Of Duties
- 2021-004 The Former Estill County Clerk's Fourth Quarter Financial Report Was Materially Misstated
- 2021-005 The Former Estill County Clerk Did Not Remit Usage Tax Fees To The State Timely
- 2021-006 The Former Estill County Clerk Did Not Have Adequate Controls Over License Fees And Did Not Remit License Fees To The State Timely
- 2021-007 The Former Estill County Clerk Failed To Implement Adequate Controls Over Tangible Personal Property Taxes And Did Not Remit Accurate Payments Timely
- 2021-008 The Former Estill County Clerk Has Not Settled The 2019 And 2020 Fee Accounts
- 2021-009 The Former Estill County Clerk Did Not Submit The Maximum Salary Limit For Deputies And Assistants To The Fiscal Court
- 2021-010 The Former Estill County Clerk Did Not Deposit Funds Timely
- 2021-011 The Former Estill County Clerk Received Expense Allowance Despite Not Having Funds Available
- 2021-012 The Former Estill County Clerk Miscalculated Payroll Withholdings And Net Pay For Two Employees

Respectfully submitted,



Allison Ball
 Auditor of Public Accounts
 Frankfort, KY

May 7, 2024

ESTILL COUNTY
 BRIAN CROWE, FORMER COUNTY CLERK
 FOURTH QUARTER FINANCIAL STATEMENT

For The Year Ended December 31, 2021

ESTILL COUNTY
 QUARTERLY REPORT

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Receipts Start: 01/01/2021 Receipts End: 12/31/2021 Period: 01/01/2021 thru 12/31/2021 using expense for accounts: 21G - 21G

Description	2021 Budget	JAN - MAR	APR - JUN	JUL - SEP	OCT - DEC	YEAR TO DATE
REVENUES						

FEDERAL GRANTS/REIMBURSEMENTS						

STATE GRANTS						

HHS37 SPECIAL REVENUE		\$67,769				

Libraries and Archives						

STATE FEES FOR SERVICES						

Tax Bill Preparation		\$2,000				
Registration of Voters		\$2,000				

Reimbursements:						

Election/Std Tax Appeal Reimburs						

Delinquent Tax Commission						

FISCAL COURT						

Tax Bill Preparation Fee						
Registration of Voters		\$2,000				

Real Estate Conveyance for PVA						

Fiscal Court Clerk						

Reimbursements:						

County Reimbursement						

Election Expense Reimbursement						

LICENSES AND TAXES						

Motor Vehicle:						

Licenses and Transfers	\$450,000	\$187,503.75	\$130,320.48	\$93,622.33	\$72,845.76	\$484,292.32
Child Victim Fund		\$9.00		\$4.00		\$13.00

Usage Tax	\$500,000	\$190,366.63	\$210,594.73	\$202,017.66	\$172,183.96	\$775,162.99
Notary Fees	\$5,000	\$70.00	\$34.00	\$30.00	\$23.00	\$147.00
Lien Release Fees	\$11,000	\$4,210.00	\$4,870.00	\$3,166.00	\$2,300.00	\$14,546.00
Tangible Property Tax (Motax)	\$1,200,000	\$37,983.47				\$37,983.47
Tangible Property Tax (Motax)	\$1,200,000	\$485,554.59	\$386,279.93	\$337,852.96	\$263,834.68	\$1,453,522.16
Miscellaneous Income	\$588	\$10.00	\$648.58	\$1,151.72	\$5.22	\$1,815.50

Licenses:						

Fish and Game	\$10,000	\$1,369.00	\$1,561.00	\$508.00	\$531.00	\$4,469.00
Marriage	\$2,300	\$480.00	\$1,080.00	\$1,200.00	\$800.00	\$3,560.00

Miscellaneous License						

Deed Transfer Tax	\$25,000	\$15,640.50	\$14,546.00	\$14,027.00	\$9,155.00	\$53,368.50
Housing Fund	\$11,000	\$3,456.00	\$4,014.00	\$3,912.00	\$3,780.00	\$15,162.00
Delinquent Taxes	\$175,000	\$14,456.38	\$65,905.35	\$74,554.71	\$39,819.77	\$194,736.21

FEES COLLECTED FOR SERVICES						

Recordings:						

Bell Bonds			\$47.00	\$94.00		\$141.00
Chattel Mortgages & Financing Strms	\$40,000	\$9,060.00	\$12,106.00	\$11,034.00	\$10,110.00	\$42,312.00
Deeds	\$32,000	\$4,779.00	\$6,585.00	\$6,377.00	\$6,518.00	\$24,259.00
Fixture Filing	\$128	\$444.00	\$221.00	\$414.00	\$350.00	\$1,429.00
Leases		\$37.00	\$34.00	\$52.00	\$79.00	\$202.00
Liens & Lis Pendens	\$7,000	\$1,006.00	\$971.00	\$1,972.00	\$957.00	\$4,906.00
Power of Attorney	\$1,500	\$284.00	\$447.00	\$420.00	\$432.00	\$1,583.00

ESTILL COUNTY
 BRIAN CROWE, FORMER COUNTY CLERK
 FOURTH QUARTER FINANCIAL STATEMENT
 For the Year Ended December 31, 2021
 (Continued)

ESTILL COUNTY
 QUARTERLY REPORT

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Receipts Start: 01/01/2021 Receipts End: 12/31/2021 Period: 01/01/2021 thru 12/31/2021 using expense for accounts: 21G - 21G

Description	2021 Budget	JAN - MAR	APR - JUN	JUL - SEP	OCT - DEC	YEAR TO DATE
Releases	\$10,000	\$4,820.00	\$6,204.00	\$5,065.00	\$4,855.00	\$20,944.00
Real Estate Mortgages	\$48,000	\$9,593.00	\$9,894.00	\$10,543.00	\$9,466.00	\$39,496.00
Miscellaneous Recordings	\$10,000	\$1,260.00	\$1,466.00	\$1,344.00	\$1,506.00	\$5,576.00
Wills, Estate Settlements & Accom.	\$1,000	\$608.00	\$472.00	\$804.00	\$603.00	\$2,487.00
Storage Fees	\$22,000	\$6,060.00	\$7,220.00	\$7,130.00	\$6,770.00	\$27,180.00
Income for Other Services:						
Candidate Filing Fees	\$1,500				\$1,400.00	\$1,400.00
Copies	\$5,000	\$562.50	\$631.00	\$1,140.50	\$407.00	\$2,741.00
Postage	\$800	\$1,064.63	\$811.50	\$722.14	\$547.40	\$3,145.67
Miscellaneous						
Refunds/Overpayments	\$12,000	\$48.00	\$21.37	\$21,861.80	\$27.00	\$21,958.17
NSF Checks Less Redeposits				(\$769.14)	(\$118.09)	(\$128.00)
Prior Year Account Transfers		\$9,755.81				\$9,755.81
Interest Earned						
Accounts Receivable Credit Memos		\$12,821.63	\$14,292.50	\$12,514.59	\$10,674.43	\$50,303.15
Misc Income/Refunds/Bank Credit Memos		\$1,000.00	\$46.00	\$184.00		\$1,230.00
Cash Drawer Transactions		(\$413.82)	(\$5,750.79)	\$1,958.56	(\$502.15)	(\$4,708.20)
Outstanding Accounts Receivable		(\$12,699.08)	(\$14,311.50)	(\$10,780.41)	(\$7,224.93)	(\$45,015.92)
Uncollectible Accounts						
TOTAL REVENUES GENERATED	\$3,854,585	\$990,699.99	\$841,737.99	\$804,640.49	\$612,309.04	\$3,349,387.51

ESTILL COUNTY
 BRIAN CROWE, FORMER COUNTY CLERK
 FOURTH QUARTER FINANCIAL STATEMENT
 For the Year Ended December 31, 2021
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ESTILL COUNTY
 QUARTERLY REPORT

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Receipts Start: 01/01/2021 Receipts End: 12/31/2021 Period: 01/01/2021 thru 12/31/2021 using expense for accounts: 21G - 21G

Description	2021 Budget	JAN - MAR	APR - JUN	JUL - SEP	OCT - DEC	YEAR TO DATE
EXPENDITURES						
PAYMENTS TO STATE						
Motor Vehicle						
Licenses & Transfers	\$295,736	\$72,533.51	\$78,032.28	\$48,002.07	\$104,355.09	\$302,922.95
Usage Tax	\$505,677	\$184,649.76	\$205,654.74	\$196,000.25	\$168,995.19	\$753,299.94
Usage Tax Makeup	\$1,000					
AdValorem Tax Distributions	\$390,604					
Licenses:						
Fish & Game	\$19,008	\$663.35	\$1,300.00	\$600.00		\$2,563.35
Delinquent Tax	\$13,208	\$715.59	\$3,967.45	\$4,970.04	\$775.26	\$10,428.34
Legal Process Tax	\$11,565	\$1,849.17	\$3,581.01	\$3,034.72	\$3,745.67	\$13,110.57
Housing Fund	\$10,548		\$3,456.00	\$1,440.00	\$6,486.00	\$11,382.00
Candidate Filing Fees						
PAYMENTS TO COUNTY						
AdValorem Tax Distributions	\$77,831	\$14,885.57	\$33,941.82	\$23,856.62	\$20,791.88	\$93,475.89
Delinquent Tax	\$10,324	\$1,130.64	\$2,984.86	\$5,418.57	\$3,641.63	\$13,175.70
Deed Transfer Tax	\$22,241	\$5,517.59	\$18,912.12	\$12,455.92	\$11,903.49	\$48,789.12
Miscellaneous Licenses						
PAYMENTS TO OTHER DISTRICTS						
AdValorem Tax Distributions:						
Estill County Library	\$27,570	\$5,273.06	\$12,022.84	\$8,356.48	\$7,365.13	\$33,019.51
Estill County Health Department	\$59,297	\$11,340.61	\$25,858.68	\$17,078.22	\$15,640.38	\$71,017.89
Estill County Board of Education	\$406,198	\$77,686.33	\$177,139.11	\$123,155.98	\$116,766.38	\$494,747.80
Estill County Extension Service	\$28,912	\$5,529.27	\$12,608.43	\$8,765.66	\$7,745.34	\$34,648.70
Estill County Ambulance Service	\$76,495	\$14,178.89	\$32,329.34	\$22,477.26	\$20,278.01	\$89,263.50
City of Irvine	\$28,133	\$5,735.88	\$10,892.65	\$9,922.35	\$9,783.42	\$36,334.30
City of Ravenna	\$11,083	\$2,033.24	\$3,776.60	\$2,902.00	\$2,502.23	\$11,214.07
Delinquent Tax:						
Estill County Library	\$13,647	\$1,430.74	\$4,231.34	\$6,748.12	\$4,957.61	\$17,367.81
Estill County Health Department	\$8,345	\$879.53	\$2,588.92	\$4,119.38	\$2,792.69	\$10,380.52
Estill County Board of Education	\$52,795	\$5,161.25	\$16,402.28	\$26,167.42	\$17,754.66	\$65,485.61
Estill County Extension Service	\$7,139	\$1,351.58	\$2,301.68	\$3,518.07	\$4,990.81	\$13,022.14
Estill County Soil Conservation Dist	\$1,553	\$85.57	\$484.39	\$771.40	\$151.13	\$1,492.49
Estill County Ambulance Service	\$10,462	\$1,133.22	\$3,236.14	\$5,162.26	\$3,017.15	\$12,548.77
Red Lick Conservancy District	\$250		\$132.24	\$122.65	\$95.11	\$255.84
PAYMENTS TO SHERIFF						
Delinquent Tax	\$14,079	\$314.72	\$4,378.12	\$6,598.06	\$661.09	\$11,951.99
PAYMENTS TO COUNTY ATTORNEY						
Delinquent Tax	\$22,540	\$1,073.44	\$4,648.60	\$11,021.47	\$1,357.69	\$18,101.20
TOTAL REQUIRED PAYMENTS	\$2,126,240	\$415,112.51	\$654,761.64	\$554,466.97	\$534,658.88	\$2,169,000.00
PERSONNEL SERVICES						
County Clerk's Salary	\$94,323	\$23,610.47	\$22,666.51	\$24,657.33	\$15,816.52	\$86,750.83
Clerk's Expense Allowance	\$3,600	\$1,361.38	\$1,308.18	\$1,264.23	\$872.12	\$4,805.91

ESTILL COUNTY
 BRIAN CROWE, FORMER COUNTY CLERK
 FOURTH QUARTER FINANCIAL STATEMENT
 For the Year Ended December 31, 2021
 (Continued)

ESTILL COUNTY
 QUARTERLY REPORT

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Receipts Start: 01/01/2021 Receipts End: 12/31/2021 Period: 01/01/2021 thru 12/31/2021 using expense for accounts: 21G - 21G

Description	2021 Budget	JAN - MAR	APR - JUN	JUL - SEP	OCT - DEC	YEAR TO DATE	
Deputies Gross Salaries	\$182,193		\$50,026.55	\$43,543.32	\$53,670.42	\$41,543.47	\$188,783.76
Training Fringe Benefits	\$2,000						
EMPLOYEE BENEFITS							
Employer's Match - Soc.Sec. & Retire	\$35,000		\$22,654.53	\$20,019.70	\$21,022.75	\$15,416.40	\$79,115.38
Employer's Paid Health Insurance	\$32,000		\$11,552.52	\$8,489.88	\$10,616.40	\$5,308.20	\$35,967.00
CONTRACTED SERVICES							
Microfilming & Indexing Records	\$20,000		\$19,202.24	\$11,916.00		\$12,078.00	\$43,196.24
Office Equipment							
Employee Training Programs			\$3,429.72				\$3,429.72
Lib & Archives Grant Purchase			\$510.00				\$510.00
New Equipment							
SUPPLIES AND MATERIALS							
Office Supplies	\$37,000		\$5,936.68	\$2,761.35	\$16,687.48	\$8,962.08	\$34,347.59
REFUNDS/RETURNED CHECKS							
Refunds	\$12,000		\$2,786.28	\$613.95	\$22,143.05	\$513.06	\$28,056.34
OTHER CHARGES							
Postage	\$5,000		\$1,199.88	\$1,533.94	\$1,264.20	\$1,079.04	\$5,067.06
Bank Service Charges	\$1,500			\$52.51	\$52.51	\$21.00	\$126.02
Miscellaneous Bank Transactions							
Transfer of Funds-previous yr funds							
Certificate of Deposit							
Clerk's Insurance & Bonds	\$3,400		\$2,115.32				\$2,115.32
Miscellaneous Clerk Expense	\$10,000		\$1,905.11	\$875.00	\$900.00	\$700.00	\$4,380.11
Dues and Memberships	\$2,500			\$570.08		\$241.27	\$811.35
Board of Supervisors Appeal							
TOTAL OFFICIAL EXPENSES	\$430,516		\$146,290.68	\$114,340.42	\$152,278.37	\$102,553.16	\$515,462.63
Clerk's Final Settlement							
TOTAL EXPENDITURES	\$2,556,796		\$561,403.19	\$779,102.06	\$706,746.34	\$637,212.04	\$2,684,462.63
TOTAL REVENUE OVER EXPENDITURES	\$1,297,830		\$429,296.80	\$62,635.93	\$97,895.15	(\$24,903.00)	\$564,924.88

Unallocated Monies						
PAYMENT	1000	100	4,789.38	0.00	0.00	0.00
PAYMENT	1100	100	0.00	0.00	6,623.15	0.00
PAYMENT	1200	100	43,152.65	0.00	0.00	0.00
PAYMENT	1201	100	106,190.26	126,642.67	105,577.05	107,842.30
PAYMENT	2008	200	2.85	0.00	0.00	0.00
RECEIPT	2400	100	337.58	0.00	0.00	0.00
PAYMENT	3000	100	0.00	135.36	0.00	0.00
PAYMENT	3000	601	0.00	0.00	1,317.29	0.00
PAYMENT	8100	100	54.00	47.00	22.00	89.20
PAYMENT	8126	100	14,342.84	55,544.90	0.00	4,739.94

ESTILL COUNTY
BRIAN CROWE, FORMER COUNTY CLERK
FOURTH QUARTER FINANCIAL STATEMENT
For the Year Ended December 31, 2021
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ESTILL COUNTY
QUARTERLY REPORT

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Revenue/Expenditure totals may not be exact due to individual line item cents truncation during computation

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

The Honorable Donnie Watson, Estill County Judge/Executive
The Honorable Brian Crowe, Former Estill County Clerk
The Honorable Kimberly Charles, Estill County Clerk
Members of the Estill County Fiscal Court

We were engaged to audit, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Fourth Quarter Financial Statement of the former Estill County Clerk for the year ended December 31, 2021, and have issued our report thereon dated May 7, 2024. The former Estill County Clerk's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our report disclaims an opinion on the financial statement because we were unable to obtain sufficient audit evidence to overcome fraud risks identified and issue an opinion.

Report on Internal Control over Financial Reporting

In connection with our engagement to audit the financial statement of the former Estill County Clerk, we considered the former Estill County Clerk's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the former Estill County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the former Estill County Clerk's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2021-001, 2021-002, 2021-003, 2021-004, 2021-005, 2021-006, 2021-007, 2021-008, 2021-009, 2021-010, 2021-011, and 2021-012 to be material weaknesses.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*
(Continued)

Report on Compliance And Other Matters

In connection with our engagement to audit the financial statement of the former Estill County Clerk, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2021-004, 2021-005, 2021-006, 2021-007, 2021-008, 2021-009, 2021-010, 2021-011, and 2021-012. Additionally, if the scope of our work had been sufficient to enable us to express an opinion on the financial statement, other instances of noncompliance or other matters may have been identified and reported herein.

Views of Responsible Official and Planned Corrective Action

The former Estill County Clerk's views and response for the finding identified in our audit are described in the Appendix. The former Estill County Clerk's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, KY

May 7, 2024

SCHEDULE OF FINDINGS AND RESPONSES

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ESTILL COUNTY
BRIAN CROWE, FORMER COUNTY CLERK
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2021

FINANCIAL STATEMENT FINDINGS:

2021-001 The Former Estill County Clerk Failed To Implement An Effective Internal Control Environment And Failed To Perform The Duties Of His Office

This is partially a repeat finding and was included in the prior year audit report as finding 2020-002. The former county clerk failed to implement an effective internal control environment and failed to perform the duties of the office, including maintaining adequate oversight and review of daily office functions during the period January 1, 2021 through December 31, 2021, resulting in the following issues:

- The budget was overspent, and the 2021 Fee Account has a deficit of at least \$58,027.
- The fourth quarter financial statement was not materially accurate.
- The former county clerk did not file an annual settlement with the fiscal court.
- Usage taxes were not paid to the state timely.
- License fees were not paid to the state timely and weekly reports were not filed timely.
- Tangible taxes are owed to the state, county, and other taxing districts.
- Deposits were not made timely.
- Invoices were not paid timely.
- The 2019 and 2020 Fee Accounts have not been settled.
- The former county clerk received an expense allowance without funds to do so.
- The former county clerk miscalculated payroll withholdings.

The former county clerk failed to implement adequate controls, policies, or procedures to correct known weaknesses in internal control. Proper oversight and review procedures were not implemented despite weaknesses identified by previous audits. Further, the former county clerk does not devote sufficient time to financial reporting to ensure all financial activity is compiled and reported timely. Additionally, the former county clerk failed to implement procedures to ensure taxes are paid to taxing districts timely. There is an increased risk of fraud due to management's ability to override the entire internal control system without detection.

The former county clerk has several noncompliance issues, undetected errors, and a known deficit totaling \$58,027 as noted in finding 2021-002. The former county clerk has failed to ensure all financial activity was accurately compiled, properly reported, and timely remitted to taxing districts. Further, the combination of an ineffective control environment and noted fraud risks were too severe to allow auditors to issue an opinion on the former county clerk's financial statement.

It was the statutory duty of the former county clerk to collect and distribute motor vehicle taxes, delinquent taxes, and various taxes/fees on legal instruments. There are numerous statutes that outline the duties and responsibilities of the county clerk. Please refer to each individual finding for specific information related to that topic. KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires." The failure to implement an effective internal control system that includes sufficient review and oversight is a core management function necessary to ensure the accuracy and reliability of financial reports.

ESTILL COUNTY
 BRIAN CROWE, FORMER COUNTY CLERK
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2021
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-001 The Former Estill County Clerk Failed To Implement An Effective Internal Control Environment
 And Failed To Perform The Duties Of His Office (Continued)

We recommend the county clerk's office take immediate action to remedy the issues outlined in these findings. Further, we recommend the county clerk's office implement policies and procedures for the office to ensure all financial activity is complete, accurate, properly recorded, and classified. Procedures should also be implemented to ensure compliance with applicable statutes, regulations, and policies. This matter will be referred to the Department for Local Government.

Former County Clerk's Response: The former county clerk responded via the letter in the Appendix.

2021-002 The Former Estill County Clerk Overspent Available Funds And Has A Known Deficit Of At Least
 \$58,027 In His 2021 Fee Account

This is a repeat finding and was included in the prior year audit report as finding 2020-001. The former county clerk overspent the funds that were available to him in 2021. Based on the available records for calendar year 2021, the former county clerk had recognized receipts of \$3,270,584 and recognized disbursements of \$3,328,611, which resulted in a deficit of at least \$58,027 in the 2021 Fee Account. The former county clerk overspent his 2021 budget, contributing to the deficit. Specifically, the amounts for deputies' salaries, matching retirement, health insurance, and operating lease payments were significantly over budget. Due to inaccurate calculations, the original budget did not allot enough matching funds given the deputy's salaries that were anticipated.

Total actual known disbursements, including payroll and all other expenses, were \$771,855 more than budgeted disbursements. Total known receipts also exceeded budgeted amounts by a total of \$615,999, meaning the original budget was not a useful tool for financial planning. When actual receipts and disbursements exceed anticipated and budgeted amounts, it is essential to closely monitor the budget to ensure funds are available to meet all obligations. Budget amendments can be submitted as necessary to account for unanticipated receipts and disbursements.

Due to insufficient funds in the 2021 Fee Account, the former county clerk paid expenses of \$95,535 out of the 2022 Fee Account using 2022 revenues to cover the 2021 shortfall.

The former county clerk did not have proper internal controls and oversight procedures in place to monitor the budget to ensure expenses did not exceed available funds for 2021, which caused overspending to occur and a deficit.

There are outstanding receivables that have not been collected and outstanding obligations that have not been paid from the 2021 fee account, resulting in taxing districts not receiving their share of tax collections in a timely manner. Due to material misstatements on the fourth quarter financial statement as discussed in finding 2021-004, we cannot ensure that all receipts and disbursements have been properly accounted for, but audit procedures determined certain known receivables and liabilities as outlined in the following schedule:

ESTILL COUNTY
 BRIAN CROWE, FORMER COUNTY CLERK
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2021
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-002 The Former Estill County Clerk Overspent Available Funds And Has A Known Deficit Of At Least \$58,027 In His 2021 Fee Account (Continued)

Assets

Cash in Bank	\$	93,859
Deposits in Transit		82,735
Collected Receivables:		104,235
Uncollected Receivables		
2020 Account for State Tangible Tax - December 2020		30,223
County - Deed Transfer Tax overpaid in November		197
County - Tangible overpaid for August		259
Due from 2023 account due to Tangible Tax credit for School		<u>23,300</u>
 Total Assets		 <u>334,808</u>

Liabilities

Paid Obligations:		
Outstanding Checks	\$	(123,195)
Liabilities		<u>(149,038)</u>
 Total Paid Obligations		 <u>(272,233)</u>

Unpaid Obligations:

State Treasurer-		
Tangible Personal Property Tax (December 2021)	\$	(3,011)
License Fees		(7,889)
Other Districts - Tangible Personal Property Tax (December 2021) -		
Estill County Fiscal Court		(358)
Library		(127)
Health		(273)
Extension		(133)
Ambulance		(341)
City of Irvine		(232)
City of Ravenna		(136)

ESTILL COUNTY
 BRIAN CROWE, FORMER COUNTY CLERK
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2021
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-002 The Former Estill County Clerk Overspent Available Funds And Has A Known Deficit Of At Least \$58,027 In His 2021 Fee Account (Continued)

Liabilities (Continued)

Unpaid Obligations (Continued):

Due to 2022 Fee Account:		
Tangible Personal Property Tax	\$	(74,159)
Delinquent Tax		(5,037)
Web Renewals		(9,394)
Legal Process Tax		(1,057)
Deed Transfer Tax		(2,108)
Affordable Housing		(3,780)
Due to Employees for Payroll Miscalculations		(1,972)
Due to Usage Account:		
September State Tangible Tax paid from Usage Account		(4,749)
License Fees - Week 2		<u>(5,846)</u>
Total Known Unpaid Obligations	\$	<u>(120,602)</u>
Total Liabilities		<u>(392,835)</u>
Total Known Fund Deficit as of December 31, 2021	* \$	<u>(58,027)</u>

* Of this total, \$3,600 is due back to the 2021 Fee Account from the former county clerk's personal funds due to erroneous payment of expense allowance

Strong internal controls and proper oversight procedures require the budget to be monitored to ensure any deviations from expected receipts and disbursements are properly accounted for and considered when financial decisions are made. If funds available are not sufficient to meet obligations, expenses must be reduced to compensate and to avoid overspending and a fund deficit.

We recommend the former county clerk consult with the fiscal court and the county attorney to determine how to eliminate this deficit, up to and including using personal funds to settle the office's obligations that are currently outstanding. We will refer this finding to the Department for Local Government.

Former County Clerk's Response: The former county clerk responded via the letter in the Appendix.

ESTILL COUNTY
 BRIAN CROWE, FORMER COUNTY CLERK
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2021
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-003 The Former Estill County Clerk's Office Lacks Adequate Segregation Of Duties

This is a repeat finding and was included in the prior year audit report as finding 2020-003. The former county clerk's office lacks adequate segregation of duties. According to the former county clerk, due to a small staff size, the responsibilities of recording, depositing, disbursing, reporting, and reconciling funds are delegated to the same individual.

The former county clerk prepared all financial reports, signed checks, performed all bookkeeping duties, and prepared all bank reconciliations. Since only one person performed these functions, there was no assurance that financial transactions were 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 to decrease the risk of undetected errors, misstatements, and fraud. If duties cannot be segregated due to a small staff size, the county clerk's office should implement and document compensating controls to reduce the risk of inadequate segregation of duties. Examples of compensating controls include: another employee comparing the daily checkout sheets to the receipts ledger and bank deposit, review bank reconciliations for accuracy, review invoices prior to payment, and review 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 receiving, 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 responded via the letter in the Appendix.

2021-004 The Former Estill County Clerk's Fourth Quarter Financial Report Was Materially Misstated

This is a repeat finding and was included in the prior year report as finding 2020-004. Based on available records, the former county clerk's Fourth Quarter Financial Report was not accurate and would require numerous adjustments to present accurate reporting of the financial activity during calendar year 2021. Several errors were made when classifying items on the receipts and disbursements ledgers and when carrying items over from the ledgers to the fourth quarterly report. Receipts were misstated by at least \$21,196 and disbursements were misstated by at least \$644,148 when comparing amounts reported to actual bank activity. Because we are not able to provide an opinion on the financial statement, we did not present audit adjustments to the former county clerk. The financial statement presented is materially inaccurate.

The former county clerk did not have procedures in place to ensure amounts reported for receipts and disbursements were accurate on the Fourth Quarter Financial Report. As a result, the former county clerk's quarterly report submitted to the Department for Local Government was materially inaccurate. Due to the significance of the misstatements, combined with the ineffective internal control environment as discussed in finding 2021-001 and high fraud risk, we cannot determine if the former county clerk's financial statement is free of material misstatement and are unable to issue an opinion on the financial statement.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires officials to submit quarterly reports to the Department for Local Government by the 30th day following the close of each quarter.

ESTILL COUNTY
 BRIAN CROWE, FORMER COUNTY CLERK
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2021
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-004 The Former Estill County Clerk's Fourth Quarter Financial Report Was Materially Misstated
 (Continued)

The uniform system of accounts has specific requirements on how to record various types of transactions for different funds and fund types. The most basic requirement of the uniform system of accounts is that all transactions are recorded and classified correctly.

We recommend the county clerk's office ensure that all quarterly financial reports are accurate prior to submission to the Department for Local Government.

Former County Clerk's Response: The former county clerk responded via the letter in the Appendix.

2021-005 The Former Estill County Clerk Did Not Remit Usage Tax Fees To The State Timely

This is a repeat finding and was included in the prior year audit as finding 2020-005. The former county clerk did not pay usage tax payments to the state timely. The former clerk transferred usage tax payments to the Usage Tax Account daily but did not remit the necessary documentation to the Transportation Cabinet in order for the auto withdrawals of funds to occur.

Due to inadequate controls, the former county clerk failed to remit usage tax to the state timely. Failure to file the required documentation with the state timely resulted in usage tax being withdrawn from the Usage Tax Account by the state in batches of several days or weeks at a time. This makes it harder to track usage payments to ensure proper amounts have been remitted and makes it more difficult to reconcile the Usage Tax Account. Late remittance of usage taxes and late filing of weekly reports could potentially lead to penalties and other fees.

KRS 131.155(2)(c) states, in part, "the clerk shall deposit motor vehicle usage tax and sales and use tax collections in the clerk's local depository account not later than the next business day following receipt. The clerk shall cause the funds to be electronically transferred from the clerk's local depository account to the State Treasury in the manner and at the times prescribed by the department[.]"

KRS 138.464(3) states, "[f]ailure to forward duplicates of all receipts issued during the reporting period or failure to file the weekly report of moneys collected within seven (7) working days after the report is due shall subject the clerk to a penalty of two and one-half percent (2.5%) of the amount of moneys collected during the reporting period for each month or fraction thereof until the documents are filed."

KRS 138.464(4) states, "[f]ailure to deposit or, if required, transfer collections as required above shall subject the clerk to a penalty of two and one-half percent (2.5%) of the amount not deposited or, if required, not transferred for each day until the collections are deposited or transferred as required above. The penalty for failure to deposit or transfer money collected shall not be less than fifty dollars (\$50) nor more than five hundred dollars (\$500) per day."

We recommend the county clerk's office implement procedures to ensure usage tax fees are remitted in accordance with statutes, ensure weekly reports are sent to the state in a timely manner, and the amounts are properly and timely recorded in the ledgers for inclusion on the financial statement.

Former County Clerk's Response: The former county clerk responded via the letter in the Appendix.

ESTILL COUNTY
 BRIAN CROWE, FORMER COUNTY CLERK
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2021
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-006 The Former Estill County Clerk Did Not Have Adequate Controls Over License Fees And Did Not Remit License Fees To The State Timely

This is a repeat finding and was included in the prior year audit report as finding 2020-006. The former county clerk did not have adequate controls over license fees, did not file weekly reports timely, did not pay license fees timely, and did not ensure all license fees were remitted to the state.

The former county clerk failed to implement adequate controls, review, and oversight procedures to ensure license fees were paid timely and recorded correctly. The former county clerk owes license fees to the state for weeks 49 and 50 due to an undetected error as noted in finding 2021-002. Consequently, the totals listed on the Fourth Quarter Financial Report for license fees paid to the state for calendar year 2021 were not correct.

KRS 186.230 states, in part, “[t]he county clerk shall see that KRS 186.005 to KRS 186.260 in his county are enforced. In so doing he shall: ... (5) Report and remit each Monday to the Transportation Cabinet all moneys issued during the previous week, together with a duplicate of all receipts issued by him during the same period. Unless the county clerk forwards duplicates of all receipts issued by him during the reporting period with his report and remits the amount shown due by the report within seven days after the report and remittance are due, he shall pay a penalty of one percent per month or fraction thereof on the amount of money shown to be due on the report. The Cabinet may in its discretion grant ... a reasonable extension of time to file his report and remit all moneys not to exceed 10 days[.]”

We recommend the county clerk’s office ensure that license fees are remitted in accordance with statutes and ensure that complete and accurate payments are made timely.

Former County Clerk’s Response: The former county clerk responded via the letter in the Appendix.

2021-007 The Former Estill County Clerk Failed To Implement Adequate Controls Over Tangible Personal Property Taxes And Did Not Remit Accurate Payments Timely

This is a repeat finding and was included in the prior year audit report as finding 2020-007. The former county clerk’s office lacked adequate controls over the reporting and disbursement of tangible personal property taxes. The former county clerk miscalculated the December 2021 tangible personal property tax amount due for all taxing districts and remitted the incorrect amount from the 2022 Fee Account. The school was overpaid \$15,046 and other taxing districts were underpaid \$4,611 combined. The 2022 Fee Account is owed \$74,159. In addition, the former county clerk did not remit tangible personal property tax payments timely for several months, nor were tangible personal property taxes recorded on the former county clerk’s financial statement.

The former county clerk failed to implement adequate review and oversight procedures to ensure payments for tangible personal property taxes were correct and were made timely. In addition, the former county clerk did not remit the amount due to the county for December due to insufficient funds in the 2021 Fee Account to cover the obligation. The account would have been overdrawn had he remitted those payments.

The failure to remit tangible taxes correctly resulted in several districts owed additional payments and contributed to the deficit by paying those payments from the wrong fee account. The financial statement was materially misstated due to the failure to record tangible personal property taxes to the state and resulted in inaccurate financial reporting to external agencies, such as the Department for Local Government. The former clerk owes tangible personal property taxes per the schedule in finding 2021-002.

ESTILL COUNTY
 BRIAN CROWE, FORMER COUNTY CLERK
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2021
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-007 The Former Estill County Clerk Failed To Implement Adequate Controls Over Tangible Personal Property Taxes And Did Not Remit Accurate Payments Timely (Continued)

Strong internal controls dictate that all disbursements are reviewed by a knowledgeable employee who is not involved in posting to the ledgers or writing checks. Adequate supervisory review is essential for providing protection from asset misappropriation and inaccurate financial reporting.

KRS 134.815(1) states, “[t]he county clerk shall, by the tenth of each month, report under oath and pay to the state, county, city, urban-county government, school, and special taxing districts all ad valorem taxes on motor vehicles collected by him for the preceding month, less the collection fee of the county clerk, which shall be deducted before payment to the depository. The county clerk shall be required to deposit state collections in a manner consistent with procedures established by the department for a prompt payment to the state of other state tax moneys collected by the clerk.”

We recommend the county clerk’s office strengthen controls and implement procedures to ensure tangible personal property taxes are calculated correctly and remitted timely. The former county clerk should remit the amounts due to each taxing district as indicated in the schedule in finding 2021-002.

Former County Clerk’s Response: The former county clerk responded via the letter in the Appendix.

2021-008 The Former Estill County Clerk Has Not Settled The 2019 and 2020 Fee Accounts

This is in part a repeat finding and was included in the prior year audit report as findings 2020-001 and 2020-008. Per the 2019 audit report, the 2019 Fee Account has a deficit of \$30,461 and the 2020 audit reported a deficit of \$10,514 in the 2022 Fee Account.

The former county clerk does not have sufficient funds available to settle outstanding liabilities for the 2019 Fee Account or 2020 Fee Account and has not created a satisfactory resolution to the deficit.

As of December 31, 2021, \$25,013 is still due to the 2020 Fee Account from the 2019 Fee Account for license fees paid from the wrong account, and \$4,595 is due to the 2020 Fee Account for funds borrowed from 2020 to pay 2019 obligations. Consequently, the 2020 Fee Account cannot pay outstanding obligations until these funds are repaid and has a fund deficit of \$10,514. The 2020 Fee Account also owes the 2021 Fee Account \$30,223 for tangible property taxes paid from the wrong account so the 2021 Fee Account cannot be settled per the schedule noted in finding 2021-001 until this is resolved. Further, the 2020 Fee Account owes various taxing districts \$9,036 for tangible personal property taxes, and the county is owed \$890 for delinquent taxes and \$3,450 for deed transfer taxes. The following tables outline the receivables and liabilities for each calendar year:

ESTILL COUNTY
 BRIAN CROWE, FORMER COUNTY CLERK
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2021
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-008 The Former Estill County Clerk Has Not Settled The 2019 And 2020 Fee Accounts (Continued)

2019	
Ending Balance:	\$ 33,156
Unpaid Obligations:	
Due to 2020 Fee Account for Amounts Deposited into Wrong Account	\$ 38,604
Due to 2020 Fee Account for 2019 License Fees Paid from 2020 Account	<u>25,013</u>
Total Unpaid Obligations	<u>63,617</u>
Total Fund Deficit as of December 31, 2019	<u>\$ (30,461)</u>
2020	
Ending Balance:	\$ 3,477
Uncollected Receivables	
Due From 2019 Fee Account - Loan	\$ 4,595
Due From 2019 Fee Account - License Fees	<u>25,013</u>
Total Uncollected Receivables	29,608
Unpaid Obligations:	
Due to 2021 Fee Account: Tangible Personal Property Tax - State	30,223
Tangible Personal Property Taxes - County	6,137
Tangible Personal Property Tax - Library	134
Tangible Personal Property Tax - Health	288
Tangible Personal Property Tax - Extension	140
Tangible Personal Property Tax - Ambulance	360
Tangible Personal Property Tax - School	1,972
Tangible Personal Property Tax - City of Irvine	5
Delinquent Tax - County	890
Deed Transfer Tax - County	<u>3,450</u>
Total Unpaid Obligations	<u>43,599</u>
Total Fund Deficit as of December 31, 2020	<u>\$ (10,514)</u>

ESTILL COUNTY
 BRIAN CROWE, FORMER COUNTY CLERK
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2021
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-008 The Former Estill County Clerk Has Not Settled The 2019 And 2020 Fee Accounts (Continued)

KRS 64.152(1) states, “[i]n counties containing a population of less than seventy-five thousand (75,000), the county clerk shall provide to the fiscal court by March 15 of each year a complete statement for the preceding calendar year of all funds received by his office in an official capacity or for official services, and of all expenditures of his office, including his salary, compensation of deputies and assistants, and reasonable expenses.”

KRS 64.152(2) states, “[a]t the time of filing the statement required by subsection (1) of this section, the clerk shall pay to the fiscal court any income of his office, including income from investments, which exceeds the sum of his maximum salary as permitted by the Constitution and other reasonable expenses, including compensation of deputies and assistants. The settlement for excess fees shall be subject to correction by audit conducted pursuant to KRS 43.070 or 64.810, and the provisions of this section shall not be construed to amend KRS 64.820.”

We recommend the former county clerk consult with the fiscal court and county attorney to determine a resolution to the 2019 and 2020 Fee Account deficits.

Former County Clerk’s Response: The former county clerk responded via the letter in the Appendix.

2021-009 The Former Estill County Clerk Did Not Submit The Maximum Salary Limit For Deputies And Assistants To The Fiscal Court

This is a repeat finding and was included in the prior year audit report as finding 2020-010. The former county clerk did not submit the maximum salary limit for deputies and assistants to the fiscal court for approval. The former county clerk failed to implement proper procedures to ensure this was submitted to the fiscal court. The former clerk is in violation of KRS 64.530(3).

KRS 64.530(3) states, in part, “[t]he fiscal court shall fix annually the reasonable maximum amount, including fringe benefits, which the officer may expend for deputies and assistants, and allow the officer to determine the number to be hired and the individual compensation of each deputy and assistant[.]” Strong internal controls and oversight procedures require the official to closely monitor expenses to ensure they don’t exceed the budgeted amounts, statutory limitations, or funds available to meet obligations.

We recommend the county clerk’s office ensure the maximum salary limit for deputies and assistants is submitted to the fiscal court each year when the budget is submitted.

Former County Clerk’s Response: The former county clerk responded via the letter in the Appendix.

2021-010 The Former Estill County Clerk Did Not Deposit Funds Timely

This is a repeat finding and was included in the prior year audit report as finding 2020-011. The former county clerk did not deposit all receipts timely during calendar year 2021. During testing procedures, numerous instances were noted in which deposits for several days cleared the bank on the same day indicating deposits were not being made daily and other instances in which significant delays were noted between the date the deposit was prepared and the date it cleared the bank. In addition, year-end deposits did not clear the bank timely and were delayed by several weeks.

ESTILL COUNTY
 BRIAN CROWE, FORMER COUNTY CLERK
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2021
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-010 The Former Estill County Clerk Did Not Deposit Funds Timely (Continued)

The former county clerk did not have adequate controls and procedures in place to ensure deposits were made timely. Inadequate controls over deposits increase the risk that undetected fraud, errors, and misstatements will occur. Delaying deposits also increases the risk that funds will be lost, stolen, or otherwise misappropriated.

The Department for Local Government has issued standards regarding “Handling Public Funds Minimum Requirements Pursuant To KRS 68.210 for All Local Government Officials (And Employees)”. One of the requirements is “Daily deposits intact into a federally insured banking institution. (KRS 68.210)”. Additionally, strong internal controls require all payments be deposited timely.

We recommend the county clerk’s office ensure all payments are deposited timely by establishing effective internal controls over deposits.

Former County Clerk’s Response: The former county clerk responded via the letter in the Appendix.

2021-011 The Former Estill County Clerk Received Expense Allowance Despite Not Having Funds Available

The former county clerk paid himself \$3,600 in expense allowance from the 2021 Fee Account when excess fees were not available. The former county clerk did not have procedures in place to adequately monitor receipts and disbursements to determine if funds were available for the expense allowance to be paid. The 2021 fee account has a known deficit of \$58,027, which eliminates the former county clerk from eligibility for receiving the expense allowance.

The former county clerk received the expense allowance in error. KRS 64.017 states, “(1) The county clerk of any county shall receive a maximum annual expense allowance of \$3,600 to be paid from the fees collected by the clerk. In counties of less than 75,000 population, the expense allowance shall be taken in monthly installments of \$300 from fees collected on a calendar year basis. In counties of 75,000 or more population, the allowance shall be paid in semimonthly installments of \$150 according to the procedures found in KRS 64.345(4). The expense allowance provided by this section shall be in addition to other lawful expense payments. (2) If the amount of fees collected will not fund the full amount of the annual expense allowance, then the county clerk shall receive the excess of such fees after all other lawful expenses and salaries have been paid. The fiscal court of any county may pay that portion of the maximum annual expense allowance for which no excess fees are available.”

We recommend the former county clerk consult with the county attorney to determine how to handle the erroneous payment of his expense allowance.

Former County Clerk’s Response: The former county clerk responded via the letter in the Appendix.

2021-012 The Former Estill County Clerk Miscalculated Payroll Withholdings And Net Pay For Two Employees

The fiscal court calculates and reports gross payroll and payroll withholdings based on pay rates and hours provided by the former county clerk. However, the former clerk did not use the fiscal court’s calculations for payroll and performed his own calculations to determine the net pay, which is paid out of the 2021 Fee Account. The fiscal court does not pay net pay to employees but does complete the payroll calculations to include the former clerk’s payroll totals on state/federal/local wage reports, retirements reports and to prepare W-2s.

ESTILL COUNTY
 BRIAN CROWE, FORMER COUNTY CLERK
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2021
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-012 The Former Estill County Clerk Miscalculated Payroll Withholdings And Net Pay For Two Employees

The former county clerk miscalculated withholdings due to the former clerk using a different filing status than the authorized filing status noted in the employee's personnel file.

The former county clerk did not have procedures in place to reconcile the net wages paid from the Fee Account per his calculations to the payroll calculations prepared by the county treasurer. He was aware there were discrepancies between the two calculations and failed to correct these errors or implement reconciling procedures to ensure consistency between amounts paid and amounts reported.

As a result of the uncorrected errors, the net pay paid from the Fee Account for two employees is less than what the employee should have received. The former county clerk owes a total of \$1,972 to employees for these miscalculations in calendar year 2021.

The requirements for withholding federal taxes from employee wages are outlined in 26 U.S.C. § 3402, which states, in part, "(a)(1) Except as otherwise provided in this section, every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary. Any tables or procedures prescribed under this paragraph shall—(A) apply with respect to the amount of wages paid during such periods as the Secretary may prescribe, and (B) be in such form, and provide for such amounts to be deducted and withheld, as the Secretary determines to be most appropriate to carry out the purposes of this chapter and to reflect the provisions of chapter 1 applicable to such periods....(c) (1) At the election of the employer with respect to any employee, the employer shall deduct and withhold upon the wages paid to such employee a tax (in lieu of the tax required to be deducted and withheld under subsection (a)) determined in accordance with tables prescribed by the Secretary in accordance with paragraph (6)....(6) In the case of wages paid after December 31, 1969, the amount deducted and withheld under paragraph (1) shall be determined in accordance with tables prescribed by the Secretary. In the tables so prescribed, the amounts set forth as amounts of wages and amounts of income tax to be deducted and withheld shall be computed on the basis of the table for an annual payroll period prescribed pursuant to subsection (a)." Likewise, state tax withholdings are outlined in KRS 141.310, which states, "(1) Every employer making payment of wages on or after January 1, 1971, shall deduct and withhold upon the wages a tax determined under KRS 141.315 or by the tables authorized by KRS 141.370."

We recommend the county clerk's office immediately implement procedures to ensure employees' net payroll calculations are correct, the amounts reported by the county treasurer are supported by the clerk's calculations, and ensure employees receive any amounts due as soon as possible.

Former County Clerk's Response: The former county clerk responded via the letter in the Appendix.

APPENDIX: FORMER COUNTY CLERK'S RESPONSE

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ESTILL COUNTY
BRIAN CROWE, FORMER COUNTY CLERK
APPENDIX: FORMER COUNTY CLERK'S RESPONSE

For The Year Ended December 31, 2021

BRIAN CROWE
1373 Wisemantown Road
Irvine, Kentucky 40336

May 21, 2024

Allison Ball
Auditor of Public Accounts
209 St. Clair St.
Frankfort, KY 40601
bethany.childers@ky.gov

Re: audits of Estill County Clerk's Office for calendar years 2021, 2022, and 2023

Dear Auditor Ball:

My response to these audits is due today, May 21, 2024 (although I am not required to make a response), so I am emailing this document. My response is supposed to include who prepared a corrective action plan, the date it was prepared, the person responsible for the corrective action plan, the anticipated completion date, the views of the responsible official, and the corrective action plan. As a former clerk, as opposed to a clerk in office, I do not have any authority to dictate to the present clerk any type of corrective action plan, so I simply cannot make any response to these matters.

Even though I have left office, I still conducted my exit interview and cooperated with the auditors, and I signed whatever documents were put in front of me, including a letter from me to the Auditor of Public Accounts that I did not draft. I now see that on a document entitled "exit conference for the calendar year 2023" by the three auditors, which was dated May 7, 2024, the same date of my letter to Auditor Ball, it is stated, "We encountered significant difficulties in dealing with management relating to the performance of the audit." It states, "We encountered the following matters which were difficult or contentious for which we consulted outside the engagement team and that would be, in the auditor's professional judgment, significant and relevant: numerous material undetected errors/misstatements in conjunction with fraud risk factors noted that have been previously discussed. . . Professional standards define disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, which could be significant to the financial statement or the auditor's report. No such disagreements arose during the course of the audit."

I do not understand anything in this letter. I thought I had cooperated and explained myself the best I could, but at some point in the documents in which I appear to be cooperating, it is stated that I am not cooperating. In the space of about two inches of type, the auditors state that they "encountered significant difficulties" with management (which I assume is me) and then appear to

ESTILL COUNTY
BRIAN CROWE, FORMER COUNTY CLERK
APPENDIX: FORMER COUNTY CLERK'S RESPONSE
For The Year Ended December 31, 2021
(Continued)

state that there are "no such disagreements" with me. I would have thought that the fact that I came into the office and explained my position would have been enough. I do not understand their position. I thought I made my position clear. Their position is not clear to me.

I have answered all the auditors' questions and signed their exit interview, and I have signed documents that they prepared for me on May 7, 2024, and in prior years. If that is being significantly difficult, then I would certainly apologize because I do not know how to be compliant with them. Although I have the option of not providing a response, I have made a response in this letter, and it is my intention that this response apply to the audits for calendar years 2021, 2022, and 2023.

Sincerely,



Brian Crowe

Copies to: file

Auditor's Reply: As outlined in our report, although a new county clerk is now serving Estill County, former county clerk continues to owe statutory duties to the current officeholder to ensure a smooth, efficient, and financially sound transition of administrations. Our report provides recommendations for the former clerk to settle account balances, and recommendations to the current clerk to strengthen internal controls and oversight. By and large, the former clerk cooperated with our auditors, however, there were severe and pervasive issues that prevented us from giving an opinion and required a disclaimer.

At no point during the course of the audit, the former clerk's review of the management representation letter he voluntarily signed, or the exit conference between the former clerk and our auditors did the former clerk manifest to our auditors any opposition toward, confusion about, or hesitancy in anything that our auditors informed him of or that he signed. The former clerk was given the standard management representation letter used in all of our audits conducted in accordance with auditing standards with several days' worth of opportunity to raise concerns about the contents of the letter. Please note, the former clerk had the option to refuse to sign the letter, which would have resulted in a disclaimer nonetheless per auditing standards. The auditors informed the former clerk at the exit conference that he could always reach out with any questions, concerns, or needed clarification; however, the former clerk did not do so before he provided his official response. Had he done so, auditors could have clarified any confusion on the former clerk's part about representations in the letter that the former clerk believes conflict.