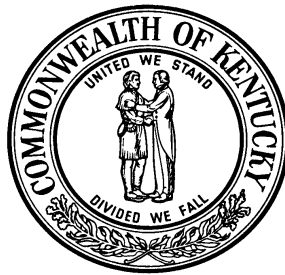


**REPORT OF THE AUDIT OF THE
FORMER ESTILL COUNTY
CLERK**

**For The Year Ended
December 31, 2023**



**ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS
auditor.ky.gov**

**209 ST. CLAIR STREET
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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 contained in the Fourth Quarter Financial Statement of the former County Clerk of Estill County, Kentucky, for the year ended December 31, 2023, and the related notes to the financial statement.

We do not express an opinion on the accompanying financial activity 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 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 2023. 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 the financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. 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

Responsibilities of Management for the Financial Statement (Continued)

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the former Estill County Clerk's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 Auditing 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, and 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 present the accompanying Schedule of Findings and Responses, included herein, which discusses the following report findings:

- 2023-001 The Former Estill County Clerk Failed To Implement An Effective Internal Control Environment And Failed To Perform The Duties Of His Office
- 2023-002 The Former Estill County Clerk Overspent Available Funds And Has A Known Deficit Of At Least \$174,326 In His 2023 Fee Account
- 2023-003 The Former Estill County Clerk's Salary Exceeded The Maximum Salary Authorization Set For Calendar Year 2023
- 2023-004 The Former Estill County Clerk Did Not Deposit Funds Timely And Had Missing Cash Deposits
- 2023-005 Internal Controls, Review Procedures, And Oversight For Payroll Processing Are Not Adequate
- 2023-006 The Former Estill County Clerk's Office Lacked Adequate Segregation Of Duties
- 2023-007 The Former Estill County Clerk's Fourth Quarter Financial Report Was Materially Misstated
- 2023-008 The Former Estill County Clerk Did Not Remit Usage Tax Fees And Weekly Reports To The State Timely And Did Not Properly Account For Usage Taxes On The Quarterly Financial Statement
- 2023-009 The Former Estill County Clerk Did Not Remit Tangible/Ad Valorem Tax Payments Timely And Did Not Record Proper Amounts On The Quarterly Financial Statement
- 2023-010 The Former Estill County Clerk Did Not Properly Remit License Fees And License Fee Reports And Failed To Record License Fee Disbursements
- 2023-011 The Former Estill County Clerk's Office Did Not Have Adequate Internal Controls Over Recording and Distributing Motor Vehicle Registration Taxes and Fees

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

Other Reporting Required by *Government Auditing Standards* (Continued)

- 2023-012 The Former Estill County Clerk Did Not Have Adequate Internal Controls Over Disbursements
- 2023-013 The Former Estill County Clerk Did Not Submit The Maximum Salary Limit For Deputies And Assistants To The Fiscal Court
- 2023-014 The Former Estill County Clerk Did Not Pay Delinquent Taxes To Districts Timely
- 2023-015 The Former Estill County Clerk Has Not Settled The 2019, 2020, 2021, Or 2022 Fee Accounts

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, 2023

ESTILL COUNTY
 QUARTERLY REPORT

Print Date: 2/22/2024 10 18 am
 Page 1 of 4

Receipts Start: 01/01/2023 Receipts End: 12/31/2023 Period: 01/01/2023 thru 12/31/2023 using expense for accounts: 23G - 23G

Description	2023 Budget	JAN - MAR	APR - JUN	JUL - SEP	OCT - DEC	YEAR TO DATE
REVENUES						
FEDERAL GRANTS/REIMBURSEMENTS						
STATE GRANTS						
HB537 SPECIAL REVENUE	\$67,769					
Libraries and Archives						
STATE FEES FOR SERVICES						
Tax Bill Preparation	\$2,000					
Registration of Voters	\$2,000					
Reimbursements:						
Election/Bd 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	\$18,412.44	\$19,833.20	\$14,234.70	\$14,470.19	\$66,950.53
Licenses and Transfers	\$450,000	\$180,363.83	\$128,574.91	\$92,654.18	\$81,373.92	\$482,966.84
Child Victim Fund						
Usage Tax	\$500,000	\$434.41				\$434.41
Usage Tax	\$500,000	\$184,332.55	\$210,087.94	\$187,983.14	\$178,705.83	\$761,109.46
Notary Fees	\$5,000	\$9.00		\$1.00	\$1.00	\$11.00
Lien Release Fees	\$11,000	\$3,366.00	\$3,852.00	\$3,344.00	\$2,700.00	\$13,262.00
Tangible Property Tax (Motax)	\$1,200,000	\$551,137.42	\$414,355.88	\$390,197.98	\$340,546.84	\$1,696,238.12
Miscellaneous Income	\$588		\$30.00	\$13,818.61	\$40.00	\$13,888.61
Licenses:						
Fish and Game	\$10,000	\$2,435.00	\$1,853.00	\$595.89	\$573.30	\$5,457.19
Marriage	\$2,300	\$400.00	\$1,040.00	\$1,520.00	\$880.00	\$3,840.00
Miscellaneous Licenses						
Deed Transfer Tax	\$25,000	\$7,567.00	\$8,424.50	\$12,438.00	\$9,290.50	\$37,720.00
Housing Fund	\$11,000	\$3,258.00	\$3,144.00	\$3,252.00	\$3,066.00	\$12,720.00
Delinquent Taxes	\$175,000	\$21,826.80	\$59,170.39	\$102,643.08	\$22,134.30	\$205,774.57
FEES COLLECTED FOR SERVICES						
Recordings:						
Bail Bonds			\$94.00	\$94.00	\$47.00	\$235.00
Chattel Mortgages & Financing Str	\$40,000	\$7,640.00	\$8,762.00	\$7,546.00	\$7,990.00	\$31,938.00
Deeds	\$32,000	\$6,156.00	\$6,155.00	\$5,559.00	\$5,544.00	\$23,414.00
Fixture Filing	\$128	\$192.00	\$64.00	\$64.00	\$102.00	\$422.00
Leases				\$120.00		\$120.00
Liens & Lis Pendens	\$7,000	\$998.00	\$743.00	\$1,897.00	\$1,099.00	\$4,737.00

ESTILL COUNTY
 BRIAN CROWE, FORMER COUNTY CLERK
 FOURTH QUARTER FINANCIAL STATEMENT
 For The Year Ended December 31, 2023
 (Continued)

ESTILL COUNTY
 QUARTERLY REPORT

Print Date: 2/22/2024 10:18 am
 Page 2 of 4

Receipts Start: 01/01/2023 Receipts End: 12/31/2023 Period: 01/01/2023 thru 12/31/2023 using expense for accounts: 23G - 23G

Description	2023 Budget	JAN - MAR	APR - JUN	JUL - SEP	OCT - DEC	YEAR TO DATE
Power of Attorney	\$1,500	\$216.00	\$639.00	\$620.00	\$483.00	\$1,958.00
Releases	\$10,000	\$4,340.00	\$3,710.00	\$4,195.00	\$2,995.00	\$15,240.00
Real Estate Mortgages	\$48,000	\$7,598.00	\$7,661.00	\$8,060.00	\$7,567.00	\$30,886.00
Miscellaneous Recordings	\$10,000	\$1,694.00	\$1,252.00	\$1,416.00	\$1,428.00	\$5,790.00
Wills, Estate Settlements & Accom.	\$1,000	\$565.00	\$417.00	\$568.00	\$1,188.00	\$2,738.00
Storage Fees	\$22,000	\$5,850.00	\$5,720.00	\$6,030.00	\$5,490.00	\$23,090.00
Income for Other Services:						
Candidate Filing Fees	\$1,500				\$150.00	\$150.00
Copies	\$5,000	\$382.50	\$210.50	\$330.50	\$224.50	\$1,148.00
Postage	\$800	\$2,100.40	\$1,023.06	\$624.64	\$1,209.31	\$4,957.41
Miscellaneous						
Refunds/Overpayments	\$12,000	\$46.00	\$3.00	\$11,196.48	\$3.00	\$11,248.48
NSF Checks Less Redeposits		(\$996.84)	(\$1,659.01)	(\$3,119.47)	(\$1,137.91)	(\$6,913.23)
Prior Year Account Transfers						
Interest Earned						
Accounts Receivable Credit Memos						
Misc Income/Refunds/Bank Credit Me		\$43,950.81	\$45,046.20	\$9,487.93	\$21,459.96	\$119,944.90
Cash Drawer Transactions		(\$5,374.01)	\$3,847.00	(\$8,517.03)	(\$113.54)	(\$10,157.58)
Outstanding Accounts Receivable		(\$27,580.11)	(\$26,417.11)	(\$12,004.04)	(\$20,236.17)	(\$86,237.43)
Uncollectible Accounts						
TOTAL REVENUES GENERATED	\$3,604,585	\$1,021,320.20	\$907,636.46	\$856,850.59	\$689,274.03	\$3,475,081.28

ESTILL COUNTY
 BRIAN CROWE, FORMER COUNTY CLERK
 FOURTH QUARTER FINANCIAL STATEMENT
 For The Year Ended December 31, 2023
 (Continued)

ESTILL COUNTY
 QUARTERLY REPORT

Print Date: 2/22/2024 10:18 am
 Page 3 of 4

Receipts Start: 01/01/2023 Receipts End: 12/31/2023 Period: 01/01/2023 thru 12/31/2023 using expense for accounts: 23G - 23G

Description	2023 Budget	JAN - MAR	APR - JUN	JUL - SEP	OCT - DEC	YEAR TO DATE
EXPENDITURES						
PAYMENTS TO STATE						
Motor Vehicle:						
Licenses & Transfers	\$295,736	\$228,455.07	\$405,230.62	\$194,712.90	\$110,836.78	\$939,235.37
Usage Tax	\$505,677	\$173,496.22	\$197,194.44	\$182,503.95	\$176,920.44	\$730,115.05
Usage Tax Makeup	\$1,000					
AdValorem Tax Distributions	\$390,604					
Licenses:						
Fish & Game	\$19,008			\$3,933.91		\$3,933.91
Delinquent Tax	\$13,208	\$999.74	\$3,568.41	\$8,374.04	\$1,029.71	\$13,971.90
Legal Process Tax	\$11,565	\$1,736.52	\$3,124.57	\$3,047.12	\$2,059.37	\$9,967.58
Housing Fund	\$10,548		\$1,104.00	\$3,144.00	\$3,252.00	\$7,500.00
Candidate Filing Fees						
PAYMENTS TO COUNTY						
AdValorem Tax Distributions	\$77,831	\$20,114.26	\$36,090.16	\$21,536.94	\$16,575.62	\$94,316.98
Delinquent Tax	\$10,324	\$938.96	\$2,838.12	\$7,001.64	\$907.60	\$11,686.32
Deed Transfer Tax	\$22,241	\$5,576.50	\$6,492.30	\$11,646.52	\$6,182.12	\$29,897.44
Miscellaneous Licenses						
PAYMENTS TO OTHER DISTRICTS						
AdValorem Tax Distributions:						
Estill County Library	\$27,570	\$7,133.90	\$12,811.09	\$9,472.61	\$5,889.57	\$35,307.17
Estill County Health Department	\$59,297	\$15,324.40	\$27,496.03	\$20,345.51	\$12,628.77	\$75,794.71
Estill County Board of Education	\$406,198	\$79,808.37	\$189,352.23	\$139,304.06	\$86,508.78	\$494,973.44
Estill County Extension Service	\$28,912	\$7,471.59	\$13,416.35	\$9,915.25	\$6,157.85	\$36,961.04
Estill County Ambulance Service	\$76,495	\$19,158.47	\$34,374.19	\$25,423.34	\$15,788.35	\$94,744.35
City of Irvine	\$28,133	\$8,458.39	\$10,915.77	\$9,906.29	\$6,697.10	\$35,977.55
City of Ravenna	\$11,083	\$1,823.23	\$3,494.81	\$3,686.44	\$685.16	\$9,689.64
Delinquent Tax						
Estill County Library	\$13,647	\$1,027.70	\$3,732.14	\$8,749.87	\$1,101.21	\$14,610.92
Estill County Health Department	\$8,345	\$643.93	\$2,456.65	\$5,794.21	\$696.83	\$9,591.62
Estill County Board of Education	\$52,795	\$4,133.00	\$15,253.18	\$36,052.40	\$4,360.67	\$59,799.25
Estill County Extension Service	\$7,139	\$542.59	\$2,082.17	\$4,928.53	\$597.33	\$8,150.62
Estill County Soil Conservation Dist	\$1,553	\$124.12	\$460.49	\$1,085.86	\$129.90	\$1,800.37
Estill County Ambulance Service	\$10,462	\$827.69	\$3,070.83	\$7,242.76	\$871.05	\$12,012.33
Red Lick Conservancy District	\$250	\$63.18		\$128.80		\$191.98
PAYMENTS TO SHERIFF						
Delinquent Tax	\$14,079	\$861.93	\$4,210.30	\$10,193.98	\$1,006.59	\$16,272.80
PAYMENTS TO COUNTY ATTORNEY						
Delinquent Tax	\$22,540	\$1,893.51	\$6,715.43	\$15,661.08	\$1,939.83	\$26,209.85
Storage Fees to Fiscal Court						
TOTAL REQUIRED PAYMENTS	\$2,126,240	\$580,613.27	\$985,484.28	\$743,792.01	\$462,822.63	\$2,772,712.19
PERSONNEL SERVICES						
County Clerk's Salary	\$104,597	\$43,072.97	\$63,373.03	\$44,640.98	\$37,606.66	\$188,693.64
Clerk's Expense Allowance	\$3,600	\$1,150.82	\$310.06	\$2,184.57	\$585.47	\$4,230.92

ESTILL COUNTY
 BRIAN CROWE, FORMER COUNTY CLERK
 FOURTH QUARTER FINANCIAL STATEMENT
 For The Year Ended December 31, 2023
 (Continued)

ESTILL COUNTY
 QUARTERLY REPORT

Print Date: 2/22/2024 10 18 am
 Page 4 of 4

Receipts Start: 01/01/2023 Receipts End: 12/31/2023 Period: 01/01/2023 thru 12/31/2023 using expense for accounts: 23G - 23G

Description	2023 Budget	JAN - MAR	APR - JUN	JUL - SEP	OCT - DEC	YEAR TO DATE
Deputies Gross Salaries	\$182,193	\$38,636.18	\$37,856.79	\$53,534.82	\$42,610.24	\$172,638.03
Training Fringe Benefits	\$2,000		\$4,679.00			\$4,679.00
EMPLOYEE BENEFITS						
Employer's Match - Soc.Sec. & Ret	\$99,900	\$7,405.26	\$14,931.82	\$31,737.04	\$17,518.08	\$71,592.20
Employer's Paid Health Insurance	\$35,000	\$3,281.60	\$4,922.40	\$15,243.06	\$8,393.14	\$31,840.20
CONTRACTED SERVICES						
Microfilming & Indexing Records	\$20,000	\$8,096.00	\$4,189.01	\$13,184.00	\$89.89	\$25,558.90
Office Equipment						
Employee Training Programs		\$650.00				\$650.00
Lib & Archives Grant Purchase						
New Equipment						
SUPPLIES AND MATERIALS						
Office Supplies	\$37,000	\$11,056.22	\$12,054.78	\$2,735.41	\$17,000.44	\$42,846.85
REFUNDS/RETURNED CHECKS						
Refunds	\$12,000	\$312.91	\$693.56	\$12,783.64	\$9,680.40	\$23,470.51
OTHER CHARGES						
Postage	\$5,000	\$1,930.20	\$1,926.52	\$1,965.81	\$1,200.82	\$7,023.35
Bank Service Charges	\$1,500	\$82.09	\$303.14	\$7.00	\$124.44	\$516.67
Miscellaneous Bank Transactions		\$138.00	\$18.20			\$156.20
Transfer of Funds-previous yr fund:		\$12,400.00	\$1,900.00	\$2,940.86	\$39,702.14	\$56,943.00
Certificate of Deposit						
Clerk's Insurance & Bonds	\$3,400					
Miscellaneous Clerk Expense	\$10,000	\$635.05	\$3,914.30	\$6,629.89	\$1,950.90	\$13,130.14
Dues and Memberships	\$2,500		\$570.08	\$1,530.00	\$241.27	\$2,341.35
Board of Supervisors Appeal						
TOTAL OFFICIAL EXPENSES	\$518,689	\$128,847.30	\$151,642.69	\$189,117.08	\$176,703.89	\$646,310.96
Clerk's Final Settlement						
TOTAL EXPENDITURES	\$2,644,929	\$709,460.57	\$1,137,126.97	\$932,909.09	\$639,526.52	\$3,419,023.15
TOTAL REVENUE OVER EXPENDITURE:	\$959,656	\$311,859.63	(\$229,490.51)	(\$76,058.50)	\$49,747.51	\$56,058.13

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 as of and for the year ended December 31, 2023, 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 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 statements 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 identified 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 statements will not be prevented, or detected and corrected in a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2023-001, 2023-002, and 2023-003, 2023-004, 2023-005, 2023-006, 2023-007, 2023-008, 2023-009, 2023-010, 2023-011, 2023-012, 2023-013, 2023-014, and 2023-015 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 statements of 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 statements. 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 2023-003, 2023-004, 2023-006, 2023-007, 2023-008, 2023-009, 2023-010, 2023-011, 2023-012, 2023-013, 2023-014, and 2023-015. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

Views of Responsible Official and Planned Corrective Action

Government Auditing Standards requires the auditor to perform limited procedures on the former Estill County Clerk's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The former Estill County Clerk's response was not subjected to the other auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the response.

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, 2023

FINANCIAL STATEMENT FINDINGS:

2023-001 The Former Estill County Clerk Failed To Implement An Effective Internal Control Environment And Failed To Perform The Duties Of His Office

This is a repeat finding and was included in the prior year audit report as finding 2022-001. The former county clerk failed to implement an effective internal control environment and failed to perform the duties of his office, including maintaining adequate oversight and review of daily office functions during the period January 1, 2023, through December 31, 2023, resulting in the following issues:

- The budget was overspent, and the 2023 Fee Account had a deficit of \$174,326.
- The fourth quarter financial statement was not materially accurate and required numerous adjustments and reclassifications.
- 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, the county, and other taxing districts.
- Deposits were not made timely.
- There were missing cash deposits of \$5,804.
- The former county clerk's payroll is more than statutorily allowed.
- The former county clerk was paid the clerk's expense allowance totaling \$2,400 even though it wasn't allowed due to the deficit in the fee account.
- The former county clerk wrote 21 extra checks to himself totaling \$62,416.
- The former county clerk wrote himself a check for \$4,679 for training expenses that he wasn't eligible for due to not completing the training required to be eligible for the training expense.
- Invoices were not paid timely.
- Payroll was incorrectly calculated, and the former county clerk's office owes employees \$4,000.
- The 2023 fee account has not been settled.

The former county clerk failed to provide proper oversight and implement adequate controls, policies, or procedures to correct known weaknesses in internal control. 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, missing cash deposits, and a deficit totaling \$174,326. Further, the combination of an ineffective control environment and noted fraud risk were too severe to allow auditors to issue an opinion on the former county clerk's financial statement.

It is the statutory duty of the 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. Additionally, good internal controls dictate that strong review and oversight procedures should be in place to reduce the risk of misstatement, uncorrected errors, and unnecessary penalties. These procedures are essential to ensure complete and accurate financial reporting, without which, auditors cannot determine if the financial statement is materially correct.

ESTILL COUNTY
 BRIAN CROWE, FORMER COUNTY CLERK
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2023
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-001 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 former county clerk 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 Office of the Attorney General and the Department for Local Government.

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

2023-002 The Former Estill County Clerk Overspent Available Funds And Has A Known Deficit Of At Least
 \$174,326 In His 2023 Fee Account

This is a repeat finding and was included in the prior year audit report as finding 2022-002. The former county clerk overspent the funds that were available in 2023. Based on the available records for calendar year 2023, the former county clerk had recognized receipts of \$3,445,427 and recognized disbursements of \$3,619,753, which resulted in a deficit of at least \$174,326 in the 2023 Fee Account. The former county clerk overspent the 2023 budget, which contributed to the deficit. Due to inaccurate calculations, the original budget did not allot enough matching funds given the deputy's salaries and increase in overtime pay, storage fees owed to the fiscal court, miscellaneous office expenses, and the amount spent for computer hardware and software agreements greatly exceeded the budget. Also, numerous transfers were made from other bank accounts to cover payments due to taxing distorts in the fee account, which is now owed back to those accounts from the 2023 Fee Account.

The former county clerk's personal payroll also exceeds the maximum allowed salary authorized by the Department for Local Government (DLG) by \$69,496. Twenty additional checks and one mobile bank transfer deposits were written to the former county clerk totaling \$62,417. The former county clerk wrote a check for \$4,679 to himself for a training incentive he was not eligible for due to not completing the required training. Also, due to the lack of funds in the Fee Account, the former county clerk was not eligible for the expense allowance paid to him totaling \$2,400 (see finding 2023-003).

During receipt testing, auditors noted missing cash deposits of \$5,804 that contributed to the deficit. Auditors compared all daily checkouts to the actual cleared deposits in the fee account and noted \$5,804 in cash receipts that could not be accounted for in a deposit (see finding 2023-004).

The combination of additional checks written to the former county clerk, an increase in payroll overtime, missing cash deposits, and numerous bank transfers caused the deficit. Further, 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 2023. Bank reconciliations were not completed until after year end, therefore, the budget was not properly tracked. The auditors asked for an explanation of the missing funds but never received a response from the former county clerk.

There are outstanding receivables that have not been collected and outstanding obligations that have not been paid from the 2023 Fee Account. The 2023 Fee Account is due \$43,828 from the 2022 Fee Account for 2022 disbursements paid from the 2023 Fee Account and \$10,000 from the 2024 Fee Account for a transfer to cover January 2024 payroll. The 2024 Fee Account is due \$128,412 from the 2023 Fee Account for transfers to cover

ESTILL COUNTY
BRIAN CROWE, FORMER COUNTY CLERK
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2023
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-002 The Former Estill County Clerk Overspent Available Funds And Has A Known Deficit Of At Least \$30,299 In His 2022 Fee Account (Continued)

year-end expenditures, \$4,797 for transferring too much money for a payment made in error, and \$12,899 for web renewals that were deposited into the wrong Fee Account. The 2023 Fee Account is due \$7,018 from the state for an overpayment in license fees and \$6,913 for uncollected non-sufficient funds (NSF) checks. The 2022 Fee Account is due \$11,816 from the 2023 Fee Account for payroll paid out of the 2023 Fee Account. The 2021 Fee Account is due \$300 for school ad valorem tax payments.

Funds in the amount of \$5,841 are due to the 2023 Usage Account from the 2023 Fee Account for a deposit made in error, \$4,513 for shorting deposits into the Usage Account throughout the year, and \$35,000 that was transferred to the Fee Account to cover a negative balance. The county is due \$23,090 for storage fees and \$5,155 for July ad valorem tax. The state is due \$2,154 for January and February 2023 Affordable Housing due to a miscalculation when paying the first quarter Affordable Housing payment. In addition, \$4,000 is due to county employees for the former county clerk miscalculating and withholding too much from employee paychecks.

Due to material misstatements on the fourth quarter financial statement as discussed in Finding 2022-007 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, 2023
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-002 The Former Estill County Clerk Overspent Available Funds And Has A Known Deficit Of At Least \$30,299 In His 2022 Fee Account (Continued)

Assets

Cash in Bank	\$	101,374
Deposits in Transit		14,676
Collected Receivables:		194,654
Uncollected Receivables:		
Due from 2024 account		10,000
Due from 2022 account		43,828
Due from state for license fees overpayment		7,018
NSF Checks due		<u>6,913</u>
Total Assets		<u>378,464</u>

Liabilities

Paid Obligations:		
Outstanding Checks	\$	3,658
Outstanding Liabilities		299,971
Total Paid Obligations		<u>303,629</u>
Unpaid Obligations:		
Due Usage for deposit to wrong account		5,841
Due to Usage For Cumulative Yearly Transfer Shortage		4,513
Due to Usage for transfer in June 2023		35,000
Due to County - Storage Fees		23,090
Due to County - Ad Val July		5,155
Due to 21 account adjust to School Ad Val		23,300
Due to '24 account for transfer to pay year end bills		128,412
Due to '24 account for paying 24 Adval and transferring too much		4,797
Due to 24 account for web renewals		12,899
Due to State for January and February 2023 Affordable Housing		2,154
Due to Employees for Incorrect Payroll Calculation		<u>4,000</u>
Total Unpaid Obligations	\$	<u>249,161</u>
Total Liabilities		<u>552,790</u>
Total Fund Deficit as of December 31, 2023		<u>(174,326)</u>
Due Back To 2023 Account From County Clerk's Personal Funds		
Checks written to clerk above Maximum Salary		62,417
Training Incentive		4,679
Expense Allowance		2,400
Missing Cash Deposits		<u>5,804</u>
Total Fund Deficit after County Clerk Personal Fund Reimbursement	\$	<u>(99,026)</u>

ESTILL COUNTY
 BRIAN CROWE, FORMER COUNTY CLERK
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2023
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-002 The Former Estill County Clerk Overspent Available Funds And Has A Known Deficit Of At Least \$30,299 In His 2022 Fee Account (Continued)

Strong internal controls and proper oversight procedures require the budget to be monitored to ensure any deviations from expected receipts and disbursements be 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 Office of the Attorney General and the Department for Local Government.

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

2023-003 The Former Estill County Clerk's Salary Exceeded The Maximum Salary Authorization Set For Calendar Year 2023

The former county clerk overpaid himself from January 1, 2023, through December 31, 2023. The maximum salary authorization for the period was a gross salary of \$104,597 and a net salary of \$72,200. During calendar year 2023, the former county clerk was responsible for issuing and signing payroll checks. He was compensated a net salary of \$141,696, resulting in a total overpayment of \$69,496. The overpayment was a result of the following:

- 21 additional checks, totaling \$62,417 issued.
- One training incentive check, totaling \$4,679 issued. The former county clerk did not meet training requirements by the Department for Local Government. He was not eligible for this incentive pay.
- Eight expense allowance checks, totaling \$2,400. The former county clerk was not eligible for this expense allowance due to deficits in prior calendar years.

Controls were not in place to ensure the former county clerk was paid appropriately and in accordance with applicable laws and regulations. This resulted in the former county clerk being overpaid \$69,496 for the period of January 1, 2023, through December 31, 2023. The overpayment contributed to the \$174,326 deficit.

KRS 64.5275(2) states, in part, "the maximum salary of county judges/executive, county clerks, jailers who operate a full service jail, and sheriffs shall be fixed by the Department for Local Government according to a salary schedule in accordance with Section 246 of the Kentucky Constitution[.]" County clerks should be paid the exact amount fixed by the Department for Local Government.

KRS 64.5275(6) states, "In addition to the step increases based on service in office, each officer shall be paid an annual incentive of one hundred dollars (\$100) per calendar year for each forty (40) hour training unit successfully completed, based on continuing service in that office and, except as provided in this subsection, completion of at least forty (40) hours of approved training in each subsequent calendar year. If an officer fails, without good cause as determined by the commissioner of the Department for Local Government, to obtain the minimum amount of approved training in any year, the officer shall lose all training incentives previously accumulated."

ESTILL COUNTY
 BRIAN CROWE, FORMER COUNTY CLERK
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2023
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-003 The Former Estill County Clerk's Salary Exceeded The Maximum Salary Authorization Set For Calendar Year 2023 (Continued)

KRS 64.017(2) states, “[i]f 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 county clerk's office establish and implement controls to ensure county officials are paid in accordance with the maximum salary authorization schedule set by the Kentucky Department for Local Government. Further, we recommend the former county clerk deposit personal funds of \$69,496 to reimburse the 2023 Fee Account for overpayment of payroll. We will refer this finding to the Office of the Attorney General and the Department for Local Government.

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

2023-004 The Former Estill County Clerk Did Not Deposit Funds Timely And Had Missing Cash Deposits

This is a repeat finding and was included in the prior year audit report as finding 2022-003. The former county clerk did not deposit all receipts timely during calendar year 2023. During testing procedures, numerous instances were noted in which deposits for several days cleared the bank on the same day, indicating that deposits were not made daily. In addition, year-end deposits did not clear the bank timely and were delayed by up to a month; one deposit was deposited into an incorrect account and not corrected for over a year. Auditors recapped all daily checkouts and compared them to cleared deposits for the fee account and noted \$5,804 in missing cash deposits.

The former county clerk did not have adequate controls and procedures in place to ensure deposits were made timely and complete.

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 missing cash deposits contributed to the deficit of \$174,326.

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 to be deposited timely.

We recommend the county clerk's office ensure all payments are deposited timely by establishing effective internal controls over deposits to ensure that all cash and check receipts are accounted for and deposited. Further, we recommend the former county clerk deposit personal funds of \$5,804 to reimburse the 2023 fee account for the missing deposits. We will refer this finding to the Office of the Attorney General and 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, 2023
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-005 Internal Controls, Review Procedures, And Oversight For Payroll Processing Are Not Adequate

This is a repeat finding and was included in the prior year audit report as finding 2022-004. The former county clerk did not implement adequate procedures and oversight regarding the documentation, preparation, and authorization of payroll disbursements. The former county clerk's office did not follow proper procedures and requirements for payroll disbursements. The following deficiencies were noted during the testing of payroll disbursements.

- The former county clerk overpaid himself by \$69,496. The salary maximum per the DLG schedule was \$104,597 and the former clerk was paid \$174,092. The overpayment included 21 extra checks written to the former county clerk, a training incentive check that he was not eligible for due to not completing the training required, and a county clerk expense allowance he was ineligible for due to deficits in prior year audits. (See finding 2023-003)
- The former county clerk did not submit the maximum salary limit for deputies and assistants to the fiscal court. (See finding 2023-013)
- The former county clerk did not monitor the increase in employees' overtime.
- The former county clerk did not withhold the correct tax withholding from employees' paychecks, resulting in a cumulative balance of \$4,000 being due to his employees. The former county clerk calculated and withheld more withholdings, resulting in the employees' net pay being less than what was calculated and reported by the fiscal court. The fiscal court reports and pays tax withholdings for the county clerk and processes W-2s, based upon the hours provided by the county clerk. However, the fiscal court was not given any documentation of what the former county clerk actually paid his employees. The former county clerk paid the fiscal court for the tax withholdings per the fiscal court's calculation and not his calculation from the fee account after he had already calculated and paid employees.
- Employees were paid for regular and overtime hours not worked during one pay period tested.
- Overtime was not calculated correctly for two timesheets tested.

The former county clerk's office failed to adequately assess the risk associated with payroll processing and failed to implement adequate internal controls regarding the documentation, preparation, and authorization of payroll. There were no significant review procedures in place nor adequate oversight to ensure the completeness and accuracy of payroll information.

Failure to implement adequate controls over payroll increases the risk that undetected material misstatements and fraud will occur, especially considering payroll accounts for a large portion of the county's budget. Numerous undetected errors were noted for payroll processing and the former county clerk was in violation of various statutes.

KRS 64.535 states, "[t]he county judge/executive, clerk, jailer who operates a full service jail, and sheriff shall each receive a monthly salary of one-twelfth (1/12) of the amount indicated by the salary schedule in KRS 64.5275."

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

ESTILL COUNTY
 BRIAN CROWE, FORMER COUNTY CLERK
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2023
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-005 Internal Controls, Review Procedures, And Oversight For Payroll Processing Are Not Adequate
 (Continued)

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.”

In order for internal controls to be effective in preventing and detecting errors, misstatements, and fraud, the functions of any significant area should be separated. If segregation is not possible or practical, the county clerk should implement and document compensating controls to reduce the risk associated with inadequate segregation of duties. A strong compensating control could include review of payroll reports, review of payroll payments, comparison of payroll documentation to amounts recorded, and reconciliation of withholding and matching reports to supporting documentation. Further, review procedures and oversight should be exercised consistently to detect errors and to reconcile payroll to supporting documentation.

We recommend the county clerk’s office implement effective internal controls, review procedures, and oversight for payroll processing to ensure the completeness and accuracy of all payroll information. Further, we recommend the former county clerk deposit personal funds of \$4,000 to the fee account, due to the employees, for incorrectly withheld taxes from their paychecks. We will refer this finding to the Office of the Attorney General and the Department for Local Government.

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

2023-006 The Former Estill County Clerk’s Office Lacked Adequate Segregation Of Duties

This is a repeat finding and was included in the prior year audit report as finding 2022-005. 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 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’s office could implement and document compensating controls to reduce the risk of inadequate segregation of duties. Examples of compensating controls include: another employee compare the daily checkout sheet 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.

ESTILL COUNTY
 BRIAN CROWE, FORMER COUNTY CLERK
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2023
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-007 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 audit report as finding 2022-006. The former clerk's Fourth Quarter Financial Report was materially misstated and required numerous adjustments to present an accurate report of the financial activity during calendar year 2023. 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 \$29,695 and disbursements were misstated by \$200,729 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 and the financial statement presented is materially inaccurate.

The former county clerk did not have procedures in place to ensure that amounts reported for receipts and disbursements were accurate on the fourth quarterly financial report.

As a result, the former county clerk's quarterly report submitted to the Department for Local Government was materially misstated. Due to the significance of the misstatements, combined with the ineffective control environment as discussed in finding 2023-001 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 it.

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. 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.

2023-008 The Former Estill County Clerk Did Not Remit Usage Tax Fees And Weekly Reports To The State Timely And Did Not Properly Account For Usage Taxes On The Quarterly Financial Statement

This is a repeat finding and was included in the prior year audit report as finding 2022-007. The former county clerk did not pay usage tax payments to the state timely. The former county clerk did not submit the daily usage information into the state reporting system so the payments could be automatically debited from the bank account as is the protocol. Several weeks' worth of information was submitted in batches, resulting in delays of several months. Weekly reports that summarize usage tax information were not submitted timely. Weekly reports for the entire 2023 calendar year have not been submitted. Further, usage tax disbursements were not properly recorded in the ledgers and the quarterly financial report.

Due to inadequate and ineffective controls as discussed in finding 2023-001, the former county clerk failed to remit usage tax to the state timely, failed to submit timely reports, and failed to properly record usage tax.

ESTILL COUNTY
 BRIAN CROWE, FORMER COUNTY CLERK
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2023
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-008 The Former Estill County Clerk Did Not Remit Usage Tax Fees And Weekly Reports To The State
 Timely And Did Not Properly Account For Usage Taxes On The Quarterly Financial Statement
 (Continued)

Due to numerous late payments creating issues for the electronic fund transfers, there are additional amounts due the state for usage tax as discussed in another finding. Additionally, the former county clerk did not post the usage tax payments to the ledgers properly, resulting in a material adjustment for usage taxes paid. Failure to report daily usage collections and failure to file weekly reports timely is a violation of statute and could lead to additional fees and penalties.

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.

2023-009 The Former Estill County Clerk Did Not Remit Tangible/Ad Valorem Tax Payments Timely And
 Did Not Record Proper Amounts On The Quarterly Financial Statement

This is a repeat finding and was included in the prior year audit report as finding 2022-008. The former county clerk did not pay the state portion of tangible/ad valorem taxes timely for November and December. The former county clerk also owes a district \$522 for September collections and an additional district is owed \$5,155 for July collections. The amounts recorded in the ledgers and on the quarterly financial statement for tangible/ad valorem taxes were not complete and accurate.

Due to inadequate and ineffective controls as discussed in finding 2023-001, the former county clerk failed to remit tangible taxes to the state timely for November and December and failed to record the correct amounts paid for tangible taxes in the ledgers/quarterly financial statement.

The quarterly financial statement required material adjustments due to incomplete and inaccurate amounts recorded for all districts. A total of \$5,677 is due to the districts.

ESTILL COUNTY
 BRIAN CROWE, FORMER COUNTY CLERK
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2023
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-009 The Former Estill County Clerk Did Not Remit Tangible/Ad Valorem Tax Payments Timely And Did Not Record Proper Amounts On The Quarterly Financial Statement (Continued)

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.”

Strong internal controls require the clerk to record the proper amounts in the ledgers (which carry forward to the quarterly financial statement).

We recommend the county clerk’s office strengthen controls and implement procedures to ensure tangible/ad valorem taxes are remitted timely and the amount recorded is complete and accurate.

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

2023-010 The Former Estill County Clerk Did Not Properly Remit License Fees And License Fee Reports And Failed To Record License Fee Disbursements

This is a repeat finding and was included in the prior year audit report as finding 2022-009. The former county clerk did not pay license fee payments to the state timely or accurately and did not submit weekly reports. Weekly reports provided by the State Motor Vehicle License report were not reconciled to payments collected. Voided transactions were not removed from weekly reports, resulting in an overpayment of \$7,018 for the entire year. License fees for weeks 2 and 3 were batched and remitted to the state in January 2023, weeks 4-8 were remitted in March 2023, weeks 9-14 were remitted in April 2023, weeks 15-20 were remitted in May 2023, weeks 21-25 were remitted in July 2023, weeks 26-31 were remitted in August 2023, weeks 32-44 were remitted in November 2023, and weeks 45-53 were remitted in January 2024. Weekly reports that summarize license fees were not submitted. Further, no license fee disbursements were recorded in the ledgers and the quarterly financial report.

Due to inadequate and ineffective controls as discussed in finding 2023-001, the former county clerk failed to remit license fees to the state timely or accurately and failed to submit weekly reports. The ledgers/quarterly financial statements were materially misstated and required material adjustment due to no license fees being recorded for the entire year.

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 implement controls and procedures to ensure that license fees and license fee reports are remitted in accordance with statute, both complete and accurate.

ESTILL COUNTY
 BRIAN CROWE, FORMER COUNTY CLERK
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2023
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-010 The Former Estill County Clerk Did Not Properly Remit License Fees And License Fee Reports And Failed To Record License Fee Disbursements (Continued)

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

2023-011 The Former Estill County Clerk's Office Did Not Have Adequate Internal Controls Over Recording And Distributing Motor Vehicle Registration Taxes And Fees

This is a repeat finding and was included in the prior year audit report as finding 2022-010. The former county clerk's office did not have adequate internal controls over recording and distributing motor vehicle registration taxes and fees. The internal control structure did not ensure that motor vehicle registration taxes and fees were recorded and distributed properly. Most notably, the former county clerk's office lacked adequate segregation of duties without proper compensating controls.

According to the former county clerk, due to a small staff size, the responsibilities of recording, depositing, disbursing, reporting, and reconciling funds were delegated to the same individual. The former county clerk prepared weekly and monthly reports, signed checks, performed bookkeeping duties, and prepared 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 increased the risk of undetected fraud and errors.

The following issues have been noted as a result of the overall ineffective internal control environment for motor vehicle registration taxes and fees:

- Material misstatements on quarterly financial statements for each category of MVR disbursements (Usage Tax, Tangible Tax, and License Fees)
- Failure to pay the state portion of usage tax, tangible tax, and license fees timely
- Failure to file weekly reports for usage tax and license fees timely
- Amounts are still owed to the state for usage tax

A strong internal control environment is essential in ensuring the millions of dollars received and distributed for motor vehicle registrations are completely and accurately accounted for and distributed timely. Part of a strong internal control system is adequate segregation of duties, and when the ability to segregate duties is limited due to small staff size, the implementation of adequate review procedures to ensure all activities are properly accounted for. More specifically, 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 small staff size, the county clerk should implement and document compensating controls to reduce the risk of inadequate segregation of duties. Examples of compensating controls include another employee comparing a daily checkout sheet to the receipts ledger and bank deposit, reviewing bank reconciliations for accuracy, and reviewing all financial reports for completeness and accuracy. The employee should document the review process by initialing reports and supporting documentation.

We recommend the county clerk's office improve the internal control structure to address inadequate segregation of duties and ineffective controls over recording and distributing motor vehicle registration taxes and fees.

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, 2023
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-012 The Former Estill County Clerk Did Not Have Adequate Internal Controls Over Disbursements

Internal controls over disbursements were not operating as intended. Proper procedures for disbursements were not followed to ensure payments were accurate and timely. The following exceptions were noted:

- 6 invoices totaling \$6,089 were not paid timely.
- 1 invoice included an overpayment of \$200.
- 2 payments totaling \$1,410 were paid electronically, with no backup documentation and not included on the ledger.
- 1 payment totaling \$50 had no supporting documentation.

This condition is a result of a lack of internal controls, review, and oversight procedures as described in finding 2023-001. Failure to pay invoices timely results in noncompliance with statutes and can result in late fees and other penalties.

KRS 65.140(2) states, “[u]nless the purchaser and vendor otherwise contract, all bills for goods or services shall be paid within thirty (30) working days of a vendor’s invoice.”

In order to avoid late fees and penalties and to comply with KRS 65.140, we recommend the county clerk’s office pay invoices within 30 days.

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

2023-013 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 2022-011. The former county clerk did not submit the maximum salary limit for deputies and assistants to the fiscal court for approval; therefore, the deputy’s salaries were not monitored properly by the former county clerk.

The former county clerk failed to implement proper procedures to ensure this was submitted to the fiscal court. The former county clerk was not able to adequately monitor his budget and payroll disbursements throughout the year.

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.

ESTILL COUNTY
BRIAN CROWE, FORMER COUNTY CLERK
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2023
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-014 The Former Estill County Clerk Did Not Pay Delinquent Taxes To Districts Timely

The former county clerk did not pay delinquent tax payments to districts timely. Payments for the month of November 2023 were not paid until January 4, 2024.

The former county clerk does not have controls in place in order to make sure delinquent tax payments are made timely. By not remitting payments timely to taxing districts, cash flow problems can occur for these taxing districts as they rely on tax collections to fund a significant portion of their budgeted services.

KRS 134.126(3) requires the county clerk to “report by the tenth day of each month to the department, the county treasurer, the sheriff, and the proper officials of the taxing districts.”

We recommend the county clerk’s office implement controls to ensure monthly delinquent tax payments are paid by the tenth of each month in accordance with KRS 134.126(3).

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

2023-015 The Former Estill County Clerk Has Not Settled The 2019, 2020, 2021, Or 2022 Fee Accounts

This is in part a repeat finding and was included in the prior year audit report as finding 2022-013. Per the 2019 audit report, the 2019 Fee Account has a deficit of \$30,461, the 2020 audit reported a deficit of \$10,514, the 2021 audit reported a deficit of \$58,027, and the 2022 audit reported a deficit of \$30,299.

The former county clerk did not have sufficient funds available to settle outstanding liabilities for the prior year Fee Account for the years 2019 through 2022 and has not created a satisfactory resolution for the deficits.

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, 2023
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-015 The Former Estill County Clerk Has Not Settled The 2019, 2020, 2021, Or 2022 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, 2023
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-015 The Former Estill County Clerk Has Not Settled The 2019, 2020, 2021, Or 2022 Fee Accounts
 (Continued)

<u>2021</u>	
Ending Balance:	\$ 8,596
Uncollected Receivables	
2020 Account (State Tangible 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 Uncollected Receivables	53,979
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
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 Miscalculation	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 Unpaid Obligations	<u>120,602</u>
Total Fund Deficit as of December 31, 2021	<u>\$ (58,027)</u>

ESTILL COUNTY
 BRIAN CROWE, FORMER COUNTY CLERK
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 20233
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-015 The Former Estill County Clerk Has Not Settled The 2019, 2020, 2021, Or 2022 Fee Accounts
 (Continued)

<u>2022</u>	
Ending Balance:	\$ 6,558
Uncollected Receivables:	
Due from 2021	\$ 95,535
Due From Usage Account	<u>7,033</u>
Total Uncollected Receivables	102,568
Unpaid Obligations:	
Due to employees for incorrect payroll withholding calculation	3,449
Due to County For Storage Fees	27,030
Due to 2022 Usage Account	52,688
Due to 2023 Fee Account	43,083
Due to City of Irvine for Ad Valorem	4,000
Due to State for License Fees	<u>9,175</u>
Total Unpaid Obligations	<u>\$ 139,425</u>
Total Fund Deficit as of December 31, 2022	<u>\$ (30,299)</u>
Total Deficit - CY 2019, CY 2020, CY 2021, CY 2022	<u>\$ (129,301)</u>

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 clerk consult with the fiscal court and county attorney to determine a resolution to the 2019, 2020, 2021, and 2022 Fee Account deficits.

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

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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, 2023

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
FORMER COUNTY CLERK'S RESPONSE
For The Year Ended December 31, 2023
(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.