



Auditor of Public Accounts
Mike Harmon

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Harmon Releases Audit of Clay County Clerk's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the October 1 – December 31, 2020 financial statement of Clay County Clerk Beverly Craft. State law requires the auditor to conduct annual audits of county clerks and sheriffs.

Auditing standards require the auditor's letter to communicate whether the financial statement presents fairly the receipts, disbursements and excess fees of the Clay County Clerk in accordance with accounting principles generally accepted in the United States of America. The clerk's financial statement did not follow this format. However, the clerk's financial statement is fairly presented in conformity with the regulatory basis of accounting, which is an acceptable reporting methodology. This reporting methodology is followed for all 120 clerk audits in Kentucky.

As part of the audit process, the auditor must comment on noncompliance with laws, regulations, contracts, and grants. The auditor must also comment on material weaknesses involving the internal control over financial operations and reporting.

The audit contains the following comment:

The Clay County Clerk's Office does not have adequate segregation of duties over receipts and disbursements: The Clay County Clerk's Office did not have adequate segregation of duties over receipts and disbursements. Deputy clerks who received payment from customers also prepared daily checkout sheets. The clerk receives payment from customers and is responsible for posting to ledgers, preparing monthly reports, performing bank reconciliations, preparing deposits, and preparing disbursements and/or reviewing disbursements.

According to the county clerk, a limited number of staff prevented a proper segregation of duties and compensating controls over daily deposits were not designed effectively. Without adequate segregation of duties, there is an increased risk of misappropriation of assets, errors, and inaccurate financial reporting to external agencies, such as the Department for Local Government (DLG).

Adequate segregation of duties dictate that duties involving the collection and reporting of receipts, the preparation and recording of disbursements, and bank reconciliations should be separated or strong oversight should be performed by an employee not performing any of those functions. The county clerk could implement oversight when duties cannot be segregated.

We recommend the county clerk segregate duties over receipts, disbursements, and reconciliations. If segregation of duties is not feasible due to lack of staff, the county clerk should continue to implement compensating controls.

County Clerk's Response: I plan to hire an additional worker to train as a bookkeeper.

The county clerk's responsibilities include collecting certain taxes, issuing licenses, maintaining county records and providing other services. The clerk's office is funded through statutory fees collected in conjunction with these duties.

The audit report can be found on the [auditor's website](#).

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