



Auditor of Public Accounts  
Mike Harmon

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### **Harmon Releases Audit of Knott County Clerk's Fee Account**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2015 financial statement of Knott County Clerk Ken Gayheart. State law requires the auditor to conduct annual audits of county clerks and sheriffs.

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

As part of the audit process, the auditor must comment on non-compliance 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 comments:

**The county clerk lacks segregation of duties over receipts.** A lack of segregation of duties exists over receipts. The bookkeeper collects cash, prepares the daily checkout sheets, and posts to the receipts ledger. A limited budget, which restricts the number of employees the county clerk could hire or delegate duties to makes it difficult for segregation of duties to be implemented.

Segregation of duties over cash collection, daily checkout procedures, deposit preparation, and the preparation of checks are essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. Without segregation of duties, errors could go undetected and result in misappropriation of assets and inaccurate financial reports.

To adequately protect against misappropriation of assets and inaccurate financial reporting, we recommend the county clerk separate the duties involved in receiving cash, preparing bank deposits, check preparation, posting to ledgers, reconciliation of bank records to the ledgers, and preparation of reports.

*County Clerk's response: None.*

**The county clerk has a lack of internal controls over accounts receivable.** The county clerk allows automobile dealerships to charge services on account. These charges are written in a notebook and are marked when paid. During the course of the audit, we found that a dealer had not paid one of their charges.

Controls which would prevent accounts receivable from being overlooked and ensure all accounts receivable are collected timely have not been implemented.

Good internal controls dictate that all accounts receivable should be collected by the end of the calendar year.

We recommend the county clerk strengthen controls over charges and ensure accounts receivable are collected by the end of each calendar year.

*County Clerk's response: None*

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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