



Auditor of Public Accounts  
Mike Harmon

**FOR IMMEDIATE RELEASE**

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

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2014 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 revenues, expenditures 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 did not have segregation of duties over receipts.** A lack of adequate segregation of duties exists over receipts. The bookkeeper collects cash, prepares the daily checkout sheets, posts to the receipts ledger, and prepares the monthly bank reconciliations. A segregation of duties over cash collection, daily checkout procedures, deposit preparation, the preparation of checks, and bank reconciliations is essential for providing protection from asset misappropriation and/or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. We recommend the county clerk separate the duties involved in receiving cash, preparing bank deposits, check preparation, reconciliation of bank records to the ledgers, and preparation of reports.

*County Clerk's response: No response.*

**The county clerk did not prepare accurate and complete daily checkout sheets.** The county clerk's daily checkout sheets were not accurate and complete. Each deputy prepares an individual daily checkout sheet. The bookkeeper consolidates the deputies' daily checkout sheets on one sheet and throws the individual checkout sheets away. When a customer charges business for the day, the county clerk shows a cash shortage on the daily checkout sheet. When the county clerk collects charges, the daily checkout sheet reflects an overage.

Because the daily checkout sheets were not detailed, we were unable to determine how much the county clerk collected for miscellaneous receipts and the amount customers charged each business day. Also, the daily checkout sheets did not detail the total checks and cash received daily and therefore could not be traced to the bank deposit slips. The bookkeeper did not prepare a detailed daily checkout sheet in order to agree daily receipts to the receipts ledger. The daily checkout sheets should agree to the receipts ledger and the bank deposits. All charge accounts and receivables should be detailed on the daily checkout sheet as well. Good internal controls dictate that a detailed daily checkout sheet be prepared and reconciled to batched receipts, the receipts ledger, and a deposit slip each day.

We recommend the county clerk prepare complete and accurate daily checkout sheets. These checkout sheets should detail receipts collected, customer charges, and the amount of cash and checks collected for the day.

*County Clerk's response: No response.*

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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