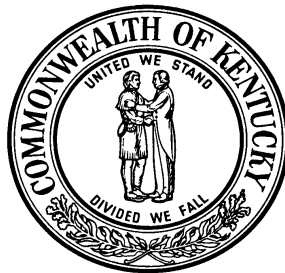


**REPORT OF THE AUDIT OF THE
ESTILL COUNTY
CLERK**

**For The Period
April 2, 2024 Through December 31, 2024**



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

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ALLISON BALL AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

The Honorable Donnie Watson, Estill County Judge/Executive
The Honorable Kim 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 Statement of Receipts, Disbursements, and Excess Fees – Regulatory Basis of the County Clerk of Estill County, Kentucky, for the period April 2, 2024 through December 31, 2024 and the related notes to the financial statement.

We do not express an opinion on the accompanying financial activity of the 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 activity.

Basis for Disclaimer of Opinion

The 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 clerk's financial activities. Further, the county clerk has several noncompliance issues, undetected errors, and a deficit totaling \$52,359. Also, the combination of an ineffective control environment, noted fraud risk, and the lack of skills and knowledge of the financial software were too severe to allow auditors to issue an opinion on the county clerk's financial statement. Therefore, we cannot issue an opinion on the Estill County Clerk's financial statement or give reasonable assurance the financial statement is free from material error or fraud.

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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.



The Honorable Donnie Watson, Estill County Judge/Executive
 The Honorable Kim 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 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 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 March 13, 2026, on our consideration of the 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 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 Questioned Costs included herein, which discusses the following report findings:

- 2024-001 The Estill County Clerk Failed To Implement Adequate Internal Controls Regarding Oversight And Review Of Daily Activities
- 2024-002 The Estill County Clerk Overspent Available Funds And Has A Deficit Of \$52,359 In Her 2024 Fee Account
- 2024-003 The Estill County Clerk's Fourth Quarter Report Was Materially Misstated
- 2024-004 The Estill County Clerk's Office Lacks Adequate Segregation Of Duties
- 2024-005 The Estill County Clerk Failed To Implement Controls Over Computer System Access
- 2024-006 The Estill County Clerk Did Not Execute A Bond Immediately Upon Taking Office
- 2024-007 The Estill County Clerk Did Not Remit Tangible/Ad Valorem Tax Payments To All Districts For December 2024
- 2024-008 The Estill County Clerk Did Not Have Adequate Internal Controls Over Disbursements

Respectfully submitted,



Allison Ball
 Auditor of Public Accounts
 Frankfort, Ky

March 13, 2026

ESTILL COUNTY
KIM CHARLES, COUNTY CLERK
QUARTERLY REPORT

For The Period April 2, 2024 Through December 31, 2024

ESTILL COUNTY QUARTERLY REPORT		Print Date: 2/14/2025 2:37 pm Page 1 of 4				
Receipts Start: 04/01/2024 Receipts End: 12/31/2024 Period: 04/01/2024 thru 12/31/2024 using payment for accounts: 24Z - 24Z						
Description	2024 Budget	JAN - MAR	APR - JUN	JUL - SEP	OCT - DEC	YEAR TO DATE
REVENUES						
FEDERAL GRANTS/REIMBURSEMENTS						
STATE GRANTS						
HB537 SPECIAL REVENUE						
Libraries and Archives						
STATE FEES FOR SERVICES						
Tax Bill Preparation					\$1,465.05	\$1,465.05
Registration of Voters			\$5,209.00			\$5,209.00
Reimbursements:						
Election/Bd Tax Appeal Reimburs			\$400.00	\$200.00	\$1,450.00	\$2,050.00
Delinquent Tax Commission						
FISCAL COURT						
Tax Bill Preparation Fee			\$5,122.05		\$1,463.55	\$6,585.60
Registration of Voters			\$60.00			\$60.00
Real Estate Conveyance for PVA						
Fiscal Court Clerk						
Reimbursements:						
County Reimbursement						
Election Expense Reimbursement						
LICENSES AND TAXES						
Motor Vehicle:						
Licenses and Transfers			\$141,765.24	\$101,137.52	\$80,475.74	\$323,378.50
Child Victim Fund			\$10.00			\$10.00
Usage Tax			\$218,688.99	\$206,880.73	\$174,855.55	\$600,425.27
Notary Fees					\$1.00	\$1.00
Lien Release Fees			\$3,462.00	\$3,228.00	\$2,956.00	\$9,646.00
Tangible Property Tax (Motax)			\$453,521.60	\$375,717.35	\$318,499.30	\$1,147,738.25
Miscellaneous Income			\$30.00	\$310.00	\$887.00	\$1,227.00
Licenses:						
Fish and Game			\$1,439.81	\$350.20	\$605.65	\$2,395.66
Marriage			\$760.00	\$800.00	\$1,080.00	\$2,640.00
Miscellaneous Licenses						
Deed Transfer Tax			\$11,411.00	\$8,362.00	\$6,943.00	\$26,716.00
Housing Fund			\$2,808.00	\$2,574.00	\$2,682.00	\$8,064.00
Delinquent Taxes			\$77,883.66	\$126,178.31	\$18,076.43	\$222,138.40
FEES COLLECTED FOR SERVICES						
Recordings:						
Ball Bonds			\$47.00	\$188.00	\$188.00	\$423.00
Chattel Mortgages & Financing Str			\$9,252.00	\$9,214.00	\$8,168.00	\$26,634.00
Deeds			\$4,529.00	\$4,726.00	\$4,632.00	\$13,887.00
Fixture Filing			\$137.00	\$158.00	\$252.00	\$547.00
Leases			\$37.00	\$74.00		\$111.00
Liens & Lis Pendens			\$768.00	\$1,722.00	\$592.00	\$3,082.00
Power of Attorney			\$449.00	\$308.00	\$462.00	\$1,219.00
Releases			\$3,305.00	\$2,545.00	\$3,925.00	\$9,775.00

ESTILL COUNTY
 KIM CHARLES, COUNTY CLERK
 QUARTERLY REPORT
 For The Period April 2, 2024 through December 31, 2024
 (Continued)

ESTILL COUNTY QUARTERLY REPORT		Print Date: 2/14/2025 Page 2 of 4		2:37 pm		
Receipts Start: 04/01/2024 Receipts End: 12/31/2024 Period: 04/01/2024 thru 12/31/2024 using payment for accounts: 24Z - 24Z						
Description	2024 Budget	JAN - MAR	APR - JUN	JUL - SEP	OCT - DEC	YEAR TO DATE
Real Estate Mortgages			\$7,177.00	\$6,518.00	\$6,116.00	\$19,811.00
Miscellaneous Recordings			\$2,107.00	\$1,898.00	\$2,064.00	\$6,069.00
Wills, Estate Settlements & Accom.			\$463.00	\$578.00	\$170.00	\$1,211.00
Storage Fees			\$5,150.00	\$4,780.00	\$5,060.00	\$14,990.00
Income for Other Services:						
Candidate Filing Fees			\$490.00		\$100.00	\$590.00
Copies			\$960.50	\$588.00	\$852.50	\$2,401.00
Postage			\$779.98	\$593.33	\$1,536.84	\$2,910.15
Miscellaneous						
Refunds/Overpayments			\$1,259.54	\$2,895.69	\$561.55	\$4,716.78
NSF Checks Less Redeposits				(\$449.65)		(\$449.65)
Prior Year Account Transfers			\$10,378.60		\$3,057.45	\$13,436.05
Interest Earned						
Accounts Receivable Credit Memos			\$6,536.18	\$24,568.12	\$158,780.99	\$189,885.29
Misc Income/Refunds/Bank Credit Me				\$3,940.55		\$3,940.55
Cash Drawer Transactions			\$1,173.99	(\$2,389.77)	(\$1,275.21)	(\$2,490.99)
Outstanding Accounts Receivable			(\$10,517.21)	(\$24,701.28)	(\$153,958.11)	(\$189,176.60)
Uncollectible Accounts						
TOTAL REVENUES GENERATED			\$961,844.93	\$868,701.10	\$652,725.28	\$2,483,271.31

ESTILL COUNTY
 KIM CHARLES, COUNTY CLERK
 QUARTERLY REPORT
 For The Period April 2, 2024 through December 31, 2024
 (Continued)

ESTILL COUNTY QUARTERLY REPORT		Print Date: 2/14/2025		2:37 pm		
		Page 3 of 4				
Receipts Start: 04/01/2024 Receipts End: 12/31/2024 Period: 04/01/2024 thru 12/31/2024 using payment for accounts: 24Z - 24Z						
Description	2024 Budget	JAN - MAR	APR - JUN	JUL - SEP	OCT - DEC	YEAR TO DATE
EXPENDITURES						
PAYMENTS TO STATE						
Motor Vehicle:						
Licenses & Transfers			\$71,161.82	\$72,106.68	\$66,675.22	\$209,943.72
Usage Tax			\$205,248.13	\$198,390.15	\$169,669.53	\$573,307.81
Usage Tax Makeup						
AdValorem Tax Distributions			\$113,545.28	\$137,425.17	\$112,562.58	\$363,533.03
Licenses:						
Fish & Game			\$3,520.27	\$260.00	\$669.00	\$4,449.27
Delinquent Tax			\$4,194.59	\$11,069.49	\$1,136.34	\$16,400.42
Legal Process Tax			\$1,979.24	\$2,906.64	\$2,872.79	\$7,758.67
Housing Fund				\$2,808.00	\$2,574.00	\$5,382.00
Candidate Filing Fees						
PAYMENTS TO COUNTY						
AdValorem Tax Distributions			\$22,558.56	\$26,760.10	\$21,941.10	\$71,259.76
Delinquent Tax			\$3,181.16	\$8,942.32	\$659.66	\$12,783.14
Deed Transfer Tax			\$4,991.82	\$9,727.99	\$8,426.01	\$22,745.82
Miscellaneous Licenses						
PAYMENTS TO OTHER DISTRICTS						
AdValorem Tax Distributions:						
Estill County Library			\$7,990.42	\$9,479.26	\$7,771.52	\$25,241.20
Estill County Health Department			\$17,186.29	\$20,387.44	\$16,716.04	\$54,289.77
Estill County Board of Education			\$117,728.95	\$139,654.29	\$114,503.74	\$371,886.98
Estill County Extension Service			\$8,379.45	\$9,940.41	\$8,149.97	\$26,469.83
Estill County Ambulance Service			\$21,488.68	\$25,491.12	\$20,900.81	\$67,880.61
City of Irvine			\$7,175.68	\$9,972.07	\$7,848.30	\$24,996.05
City of Ravenna			\$2,560.53	\$3,313.26	\$2,227.10	\$8,100.89
Delinquent Tax						
Estill County Library			\$4,287.93	\$11,276.07	\$1,209.27	\$16,773.27
Estill County Health Department			\$2,918.22	\$7,677.78	\$751.29	\$11,347.29
Estill County Board of Education			\$18,088.61	\$47,626.09	\$4,498.16	\$70,212.86
Estill County Extension Service			\$2,473.78	\$6,540.70	\$629.31	\$9,643.79
Estill County Soil Conservation Dist.			\$547.20	\$1,439.29	\$495.23	\$2,481.72
Estill County Ambulance Service			\$3,649.70	\$9,609.32	\$939.10	\$14,198.12
Red Lick Conservancy District			\$19.62	\$136.67	\$105.66	\$261.95
PAYMENTS TO SHERIFF						
Delinquent Tax			\$4,614.20	\$12,393.34	\$617.37	\$17,624.91
PAYMENTS TO COUNTY ATTORNEY						
Delinquent Tax			\$7,318.34	\$17,017.05	\$2,173.20	\$26,508.59
Storage Fees to Fiscal Court			\$3,440.00	\$4,980.00	\$5,010.00	\$13,430.00
TOTAL REQUIRED PAYMENTS			\$659,848.47	\$807,330.70	\$581,732.30	\$2,048,911.47
PERSONNEL SERVICES						
County Clerk's Salary			\$33,469.08	\$35,748.50	\$35,871.61	\$105,089.19
Clerk's Expense Allowance					\$3,438.72	\$3,438.72

ESTILL COUNTY
 KIM CHARLES, COUNTY CLERK
 QUARTERLY REPORT
 For The Period April 2, 2024 through December 31, 2024
 (Continued)

ESTILL COUNTY QUARTERLY REPORT		Print Date: 2/14/2025 Page 4 of 4		2:37 pm		
Receipts Start: 04/01/2024 Receipts End: 12/31/2024 Period: 04/01/2024 thru 12/31/2024 using payment for accounts: 24Z - 24Z						
Description	2024 Budget	JAN - MAR	APR - JUN	JUL - SEP	OCT - DEC	YEAR TO DATE
Deputies Gross Salaries			\$29,492.34	\$35,812.03	\$37,150.51	\$102,454.88
Training Fringe Benefits					\$1,640.62	\$1,640.62
EMPLOYEE BENEFITS						
Employer's Match - Soc.Sec. & Ret			\$8,292.22	\$8,870.42	\$9,408.67	\$26,571.31
Employer's Paid Health Insurance			\$6,980.40	\$9,722.56	\$11,836.16	\$28,539.12
CONTRACTED SERVICES						
Microfilming & Indexing Records			\$13,704.00	\$13,704.00	\$13,704.00	\$41,112.00
Office Equipment				\$689.97		\$689.97
Employee Training Programs						
Lib & Archives Grant Purchase						
New Equipment						
SUPPLIES AND MATERIALS						
Office Supplies			\$4,890.06	\$2,445.14	\$1,183.31	\$8,518.51
REFUNDS/RETURNED CHECKS						
Refunds			\$5,007.77	\$3,774.65	\$4,484.74	\$13,267.16
OTHER CHARGES						
Postage			\$1,655.81	\$2,428.38	\$2,870.98	\$6,955.17
Bank Service Charges			\$28,674.22	\$14.00	\$66.65	\$28,754.87
Miscellaneous Bank Transactions						
Transfer of Funds-previous yr fund			\$20,837.20	\$650.00	\$1,500.00	\$22,987.20
Certificate of Deposit						
Clerk's Insurance & Bonds			\$227.01			\$227.01
Miscellaneous Clerk Expense				\$6,099.07	\$1,618.67	\$7,717.74
Dues and Memberships			\$1,630.00	\$1,670.08	\$3,811.62	\$7,111.70
Board of Supervisors Appeal						
TOTAL OFFICIAL EXPENSES			\$154,860.11	\$121,628.80	\$128,586.26	\$405,075.17
Clerk's Final Settlement						
TOTAL EXPENDITURES			\$814,708.58	\$928,959.50	\$710,318.56	\$2,453,986.64
TOTAL REVENUE OVER EXPENDITURE			\$147,136.35	(\$60,258.40)	(\$57,593.28)	\$29,284.67

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

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 Kim 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, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Program for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky, the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Estill County Clerk for the period April 2, 2024 through December 31, 2024, and the related notes to the financial statement and have issued our report thereon dated March 13, 2026. Our report disclaims an opinion on the financial statement because we were unable to place appropriate reliance on the information provided during the audit and, therefore, cannot reduce the audit risk to an acceptable level.

Report on Internal Control over Financial Reporting

In connection with our engagement to audit the financial statement, we considered the 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 Estill County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 and another deficiency that we consider to be a significant deficiency.

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 2024-001, 2024-002, 2024-003, 2024-004, 2024-005, 2024-007, and 2024-008 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 Internal Control over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2024-006 to be a significant deficiency.

Report on Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Estill County Clerk's financial statement is free of material misstatement, 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 2024-001, 2024-002, 2024-003, 2024-004, 2024-005, 2024-006, 2024-007, 2024-008.

Views of Responsible Official and Planned Corrective Action

Government Auditing Standards require the auditor to perform limited procedures on the Estill County Clerk's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The 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

March 13, 2026

SCHEDULE OF FINDINGS AND RESPONSES

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ESTILL COUNTY
KIM CHARLES, COUNTY CLERK
SCHEDULE OF FINDINGS AND RESPONSES

For The Period April 2, 2024 through December 31, 2024

2024-001 The Estill County Clerk Failed To Implement Adequate Internal Controls Regarding Oversight And Review Of Daily Activities

The Estill County Clerk failed to maintain adequate oversight and review of daily office functions during the period April 2, 2024 through December 31, 2024, resulting in the following issues:

- The budget was not properly completed or tracked and the 2024 fee account has a deficit of \$52,359 and has not been settled, see finding 2024-001.
- The fourth quarter financial statement was materially misstated, see finding 2024-003.
- December ad valorem taxes are owed to the state, the county, and school. The other taxing districts were not paid until March 2025, see finding 2024-007.
- December 2024 delinquent real property taxes were not paid until March 2025.
- The county clerk was paid the clerk's expense allowance totaling \$2,400 despite being ineligible for the allowance because of the deficit in the fee account.
- Computer and software passwords were shared among employees and a non-employee, see finding 2024-005.
- The county clerk lacked the skills and knowledge to understand issues with her financial software reporting.
- The county clerk did not execute a bond immediately upon taking office, see finding 2024-006.
- The county clerk did not present an annual settlement to the fiscal court.

The county clerk was inexperienced and unaware of all compliance requirements. The county clerk failed to provide proper oversight and implement adequate controls, policies, or procedures to correct known weaknesses in internal control. Additionally, the 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 control system without detection.

The county clerk has several noncompliance issues, undetected errors, and a fee account deficit totaling \$52,359. Further, the combination of an ineffective control environment, noted fraud risk, and the lack of skills and knowledge of the financial software were too severe to allow auditors to issue an opinion on the county clerk's financial statement.

The county clerk has a statutory duty to collect and distribute motor vehicle taxes, delinquent taxes, and various taxes and 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.

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."

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."

ESTILL COUNTY
KIM CHARLES, COUNTY CLERK
SCHEDULE OF FINDINGS AND RESPONSES
For The Period April 2, 2024 through December 31, 2024
(Continued)

2024-001 The Estill County Clerk Failed To Implement Adequate Internal Controls Regarding Oversight And Review Of Daily Activities (Continued)

We recommend the county clerk take immediate action to remedy the issues outlined in this finding. Further, we recommend the county clerk 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.

County Clerk's Response: I, Kim Charles, will ensure that Adequate Internal Controls regarding Oversight and Review of Daily Activities are put in place.

2024-002 The Estill County Clerk Overspent Available Funds And Has A Deficit Of \$52,359 In Her 2024 Fee Account

The county clerk overspent the funds that were available in 2024. Based on available records, for the period April 2, 2024 through December 31, 2024, the county clerk had receipts of \$2,471,297 and disbursements of \$2,523,656, which resulted in a known deficit of at least \$52,359 in the 2024 fee account. The county clerk did not complete an accurate budget, which contributed to the deficit. Due to inaccurate calculations, the original budget overestimated receipts that the county clerk would receive, which also led to budgeting more for disbursements. By receiving less than budgeted receipts, there were not enough funds to cover what the clerk had spent for her expenses.

Also, the county clerk was paid \$2,400 for an expense allowance when excess fees were not available to be paid.

The county clerk did not have proper internal controls and oversight procedures to monitor the budget and ensure expenses did not exceed available funds for 2024. Bank reconciliations did not account for any liabilities still due after the end of the month; therefore, the budget did not properly track available funds.

A materially misstated financial statement was submitted to the Department for Local Government, which is the oversight agency for local governments, and to the fiscal court that relied on that information to make financial decisions.

Due to material misstatements on the fourth quarter financial statement as discussed in finding 2024-003, we cannot confirm whether all receipts and disbursements have been properly accounted for. However, audit procedures determined certain known receivables and liabilities as outlined in the following schedule.

ESTILL COUNTY
 KIM CHARLES, COUNTY CLERK
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Period April 2, 2024 through December 31, 2024
 (Continued)

2024-002 The Estill County Clerk Overspent Available Funds And Has A Deficit Of \$52,359 In Her 2024
 Fee Account (Continued)

Assets

Cash in Bank		\$	41,577
Deposits in Transit			10,698
Receivables			8,986
Still Due:			
NSF check uncollected			450
Repayment for 2025 payroll			12,458
Repayment from clerk for taxes on Clerk's Allowance			<u>1,369</u>
Total Assets			<u>75,538</u>

Liabilities

Paid Obligations:

Outstanding Checks	\$	9,865	
Liabilities		46,838	
Uncleared Check to County for Ad Valorem		6,067	
Total Paid Obligations			<u>62,770</u>

Unpaid Obligations:

State Treasurer-			
Tangible Personal Property Tax		33,466	
School -			
Tangible Personal Property Tax		<u>31,660</u>	
Total Unpaid Obligations	\$		<u>65,126</u>
Total Liabilities			<u>127,896</u>
Total Fund Deficit as of December 31, 2024	\$		<u>(52,359)</u>

ESTILL COUNTY
 KIM CHARLES, COUNTY CLERK
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Period April 2, 2024 through December 31, 2024
 (Continued)

2024-002 The Estill County Clerk Overspent Available Funds And Has A Deficit Of \$52,359 In Her 2024 Fee Account (Continued)

Strong internal controls and proper oversight procedures require the budget to be monitored so that fiscal court can consider and account for any deviations from expected receipts and disbursements. If funds available are not sufficient to meet obligations, expenses must be reduced to avoid overspending and a fund deficit.

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 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 currently outstanding obligations. We will refer this finding to the Department for Local Government.

County Clerk’s Response: I, Kim Charles, will ensure that the budget be tracked properly. My appointment was in April 2nd, 2024, therefore no revenue for January, February, or March nor did my administration receive the State Funding for 2024 (\$70,000 +) This went to the previous administration. Monthly revenue and State Funding is very important for the office to have enough revenue throughout the year. Inexperience and lack of knowledge of the budgeting process, accounting software and compliance requirements were not known. I have made changes to help boost the revenue including renegotiating the Software Contract to get lower payments (this saves little over \$1,000 per month) as well as adding back in application fees that were taken away by the previous clerk, etc.

2024-003 The Estill County Clerk’s Fourth Quarter Report Was Materially Misstated

The county clerk’s fourth quarter financial report was materially misstated. Numerous classification errors were noted on the receipts and disbursements ledgers. Additional errors were made when importing numbers from the ledgers to the fourth quarter report. Receipts were misstated by \$15,415 and disbursements were misstated by \$109,799 compared to actual bank activity.

The county clerk did not have procedures to ensure that amounts reported for receipts and disbursements were accurate on the fourth quarter financial report. Due to the inexperience of the county clerk and unfamiliarity of how these transactions would be accumulated into the financial report, the county clerk was not aware that these errors would affect the quarterly report as they did.

As a result, the county clerk’s quarterly report submitted to the Department for Local Government was materially misstated.

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.

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 For The Period April 2, 2024 through December 31, 2024
 (Continued)

2024-003 The Estill County Clerk's Fourth Quarter Report Was Materially Misstated (Continued)

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." Proper recording is a basic internal control necessary to ensure the accuracy and reliability of financial reports.

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

County Clerk's Response: I, Kim Charles, will ensure that the Fourth Quarterly Report is done in a timely manner and ensure that the reports are accurate before sending to the Department for Local Government. Due to inexperience with the software and how it classifies entries, I was not aware that this would cause errors.

2024-004 The Estill County Clerk's Office Lacks Adequate Segregation Of Duties

The county clerk's office lacks adequate segregation of duties. According to the 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 county clerk prepares all weekly and monthly reports, signs all checks, performs all bookkeeping duties, and prepares all bank reconciliations. Since only one person performs these functions, there is no assurance that financial transactions are accurate, complete, and free of error or misstatement. The lack of segregation of duties increases the risk of undetected fraud and errors.

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 segregation of duties, which ensures that one employee does not have control over these duties, is a basic internal control necessary to ensure the accuracy and reliability of financial reports.

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 insufficient staffing, the county clerk could implement and document compensating controls to reduce the risk of inadequate segregation of duties. Examples of compensating controls include having 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 segregate the duties of receiving, recording, depositing, disbursing, reporting, and reconciling funds or implement and document compensating controls to offset this control weakness.

County Clerk's Response: I, Kim Charles, will ensure that I separate duties. Some changes that have been made thus far deputies are now responsible for making deposits as well as checking monthly reports to ensure that they are correct before sending.

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 (Continued)

2024-005 The Estill County Clerk Failed To Implement Controls Over Computer System Access

The Estill County Clerk's Office uses a financial accounting software program to record the financial activity. This system is used by several employees on a shared network. Even though employees are given unique usernames and passwords, they share their passwords with each other. Employees were also given access to the county clerk's computer to perform data entry for financial reporting under the county clerk's login credentials. Further, the county clerk had given login information to a former employee to assist with inputting financial information. The former employee was not paid for assisting with the bookkeeping for the county clerk, nor was she on contract with the county clerk's office. The former employee helped with the bookkeeping as a favor to the county clerk.

The county clerk failed to implement adequate controls over access to the accounting system. By allowing unauthorized user access to the accounting system to a person not employed by the clerk's office, there was an opportunity for unauthorized modification or inappropriate use of system.

Unique login information to software systems is a control meant to protect employees and ensure that only authorized employees are inputting information. Sharing these unique logins is a circumvention of an implied internal control that should not occur.

We recommend the county clerk ensure that login information such as usernames and passwords are not shared and consider an update to the county clerk's administrative code to address this issue.

County Clerk's Response: I, Kim Charles, will ensure that passwords are changed and kept secure and when using a computer that the employees will only work under their assigned credentials. An update to the clerk's administrative code will be made. Due to inexperience and lack of knowledge of bookkeeping, a former clerk of 34 years was assisting in teaching and guiding instruction through the bookkeeping process.

2024-006 The Estill County Clerk Did Not Execute A Bond Immediately Upon Taking Office

The Estill County Clerk was sworn in on April 2, 2024, but her executed bond was not effective until May 1, 2024. This means the county clerk operated her office about one month without the required bond.

The county clerk did not have adequate internal control and oversight processes in place to ensure a proper bond was executed immediately upon taking office.

The county clerk was not properly bonded during her first month in office, leaving taxpayer dollars at risk for misappropriation without the security of a public official bond to protect against fraud, theft, and loss.

Per KRS 62.055(1), "[e]very county clerk, before entering on the duties of his office, shall execute bond to the Commonwealth, with corporate surety authorized and qualified to become surety on bonds in this state."

We recommend the county clerk implement adequate internal control and oversight procedures to ensure a proper bond is in effect at all times.

County Clerk's Response: I, Kim Charles, will ensure that all Bonds are executed in a timely manner. Due to inexperience, I did not know that the Bond had to be issued immediately.

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 SCHEDULE OF FINDINGS AND RESPONSES
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 (Continued)

2024-007 The Estill County Clerk Did Not Remit Tangible/Ad Valorem Tax Payments To All Districts For December 2024

The county clerk has not paid the amounts due to the state, the county, and the school for tangible property ad valorem taxes collected in December 2024. The other taxing districts were not paid timely as checks were not issued until March 2025.

Due to the county clerk being new and not understanding the accounting requirements of the office, the 2024 fee account is in a deficit and there are insufficient funds to remit amounts due to all districts. The county clerk made distributions as funds would allow.

The county clerk is in violation of KRS 134.815 and the following taxing districts are owed for tangible property ad valorem taxes:

State	\$	33,466
County	\$	6,067
School	\$	31,660

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 county clerk.”

We recommend the county clerk implement procedures to ensure funds are available to make all required distributions. Further, we recommend the county clerk consult with the county judge/executive and the county attorney on how to resolve the 2024 fee account deficit in order to pay amounts owed as soon as possible.

County Clerk’s Response: I, Kim Charles, will ensure that all Tangible/Ad Valorem Tax Payments are paid to districts on time. Due to the deficit, there were no funds to issue payment.

2024-008 The 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:

- Two checks totaling \$1,948 were written to cash. One check totaling \$1,500 was to open the 2025 fee account and the other check totaling \$448 was a counter check that stated it was for ballots.
- One invoice in the amount of \$506 was not paid timely. The payment included invoices for April, May, June, July, August, and September 2024 that were not paid until November 2024.

This condition is a result of a lack of internal controls, review, and oversight procedures as described in finding 2024-001.

Failure to pay invoices timely results in noncompliance with statutes and can result in late fees and other penalties. Writing checks to cash hinders the ability to track transactions and increases risk of fraud, making it difficult to verify if public funds were used for legitimate purposes.

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2024-008 The Estill County Clerk Did Not Have Adequate Internal Controls Over Disbursements

KRS 65.140(2) states, “all bills for goods and services shall be paid within thirty (30) working days of receipt of a vendor’s invoice.”

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.” Making checks out to a specific vendor instead of to an individual’s personal account or to “cash” is a basic internal control to ensure funds are being used for their intended purposes.

In order to avoid late fees and penalties and to comply with KRS 65.140, we recommend the county clerk pay invoices within 30 days of their receipt. We also recommend that the county clerk ensure that checks are written to specific vendors and not to cash.

County Clerk’s Response: I, Kim Charles, will ensure that all the checks are written to the proper vendor or other entity. I also will ensure all invoices are paid on time. The invoice that was not paid timely was due to the lack of funds because of the deficit.