



**Auditor of
Public Accounts
Allison Ball**

Estill County Clerk's Fee Account Audit

FRANKFORT, Ky. – State Auditor Allison Ball released the audit of the 2024 financial statement of Estill County Clerk Kim Charles. 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 Estill 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.

Finding: 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.

Recommendations

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 Officials Response

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

Finding: 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.

Recommendations

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 Officials Response

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.

Finding: 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.

Recommendations

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

County Officials Response

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.

Finding: 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.

Recommendations

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 Officials Response

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.

Finding: 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.

Recommendations

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 Officials Response

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.

Finding: 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.

Recommendations

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

County Officials Response

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.

Finding: 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.

Recommendations

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 Officials Response

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.

Finding: 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.

Recommendations

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 Officials Response

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.

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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