

**REPORT OF THE AUDIT OF THE
BALLARD COUNTY
CLERK**

**For The Year Ended
December 31, 2016**



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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Todd Cooper, Ballard County Judge/Executive
The Honorable Lynn Lane, Ballard County Clerk
Members of the Ballard County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the County Clerk of Ballard County, Kentucky, for the year ended December 31, 2016, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. 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.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our 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 Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



The Honorable Todd Cooper, Ballard County Judge/Executive
The Honorable Lynn Lane, Ballard County Clerk
Members of the Ballard County Fiscal Court

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Ballard County Clerk on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Ballard County Clerk, as of December 31, 2016, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the Ballard County Clerk for the year ended December 31, 2016, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2018, on our consideration of the Ballard County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 entity's internal control over financial reporting and compliance.

The Honorable Todd Cooper, Ballard County Judge/Executive
The Honorable Lynn Lane, Ballard County Clerk
Members of the Ballard County Fiscal Court

Other Reporting Required by *Government Auditing Standards* (Continued)

Based on the results of our audit, we have presented the accompanying Schedule of Findings and Responses, included herein, which discusses the following report comments:

- 2016-001 The Ballard County Clerk's Office Lacks Adequate Segregation Of Duties
- 2016-002 The Ballard County Clerk Did Not Properly Account For Customer Charges
- 2016-003 The Ballard County Clerk Failed To Maintain Complete And Accurate Timesheets For Employees
- 2016-004 Employees Were Improperly Paid A One-Time Payment For Accumulated Overtime
- 2016-005 The Ballard County Clerk Did Not Have A Written Collateral Security Agreement With The Bank

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

April 6, 2018

BALLARD COUNTY
LYNN LANE, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2016

Receipts

State Revenue Supplement	\$	65,777	
State Fees For Services			3,351
Fiscal Court			20,410
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	350,740	
Usage Tax		1,011,352	
Tangible Personal Property Tax		967,382	
Notary Fees		1,482	
Lien Releases		5,354	
Other-			
Fish and Game Licenses		17,915	
Marriage Licenses		2,201	
Occupational Licenses		870	
Deed Transfer Tax		23,803	
Delinquent Tax		<u>192,064</u>	2,573,163
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		7,917	
Real Estate Mortgages		13,548	
Chattel Mortgages and Financing Statements		27,942	
Powers of Attorney		473	
Affordable Housing Trust		8,430	
All Other Recordings		3,254	
Charges for Other Services-			
Candidate Filing Fees		1,230	
Copywork		3,640	
Postage		<u>2,237</u>	68,671
Other:			
Refunds		4,143	
Returned Check Fees		75	
Miscellaneous		<u>4,143</u>	8,361
Interest Earned			<u>174</u>
Total Receipts			2,739,907

The accompanying notes are an integral part of this financial statement.

BALLARD COUNTY
 LYNN LANE, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2016
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 261,534

Usage Tax 977,874

Tangible Personal Property Tax 342,677

Licenses, Taxes, and Fees-

Fish and Game Licenses 17,723

Marriage Licenses 837

Delinquent Tax 19,786

Legal Process Tax 7,767

Affordable Housing Trust 8,430 \$ 1,636,628

Payments to Fiscal Court:

Tangible Personal Property Tax 144,457

Delinquent Tax 30,079

Deed Transfer Tax 22,613

Occupational Licenses 560 197,709

Payments to Other Districts:

Tangible Personal Property Tax 441,328

Delinquent Tax 88,527 529,855

Payments to Sheriff

16,880

Payments to County Attorney

20,520

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries 106,016

Part-Time Salaries 15,927

Other Charges-

Bank Charges 402

Refunds 7,705

Miscellaneous 39,434 169,484

Total Disbursements

\$ 2,571,076

The accompanying notes are an integral part of this financial statement.

BALLARD COUNTY
 LYNN LANE, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2016
 (Continued)

Net Receipts		\$ 168,831
Less: Statutory Maximum		<u>77,402</u>
Excess Fees		91,429
Less: Expense Allowance	\$ 3,600	
Training Incentive Benefit	<u>3,969</u>	<u>7,569</u>
Excess Fees Due County for 2016		83,860
Payment to Fiscal Court - March 6, 2018		<u>83,769</u>
Balance Due Fiscal Court at Completion of Audit*		<u><u>\$ 91</u></u>

* - The county clerk presented a check to the fiscal court for excess fees on April 23, 2017.

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2016

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the county clerk as determined by the audit. KRS 64.152 requires the county clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework. Under this regulatory basis of accounting, receipts and disbursements are generally recognized when cash is received or disbursed, with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2016 services
- Reimbursements for 2016 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2016

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the county treasurer in the subsequent year.

C. Cash and Investments

KRS 66.480 authorizes the county clerk's office to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System and Other Post-Employment Benefits

The county official and employees have elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

BALLARD COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2016
 (Continued)

Note 2. Employee Retirement System and Other Post-Employment Benefits (Continued)

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 17.06 percent for the first six months and 18.68 percent for the last six months.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous members contribute five percent of their annual creditable compensation and one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A nonhazardous member's account is credited with a four percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008, must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2016
(Continued)

Note 3. Deposits

The Ballard County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were not met because the county clerk did not have a written agreement with the bank.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure the county clerk's deposits may not be returned. The Ballard County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. On April 12, 2016, the county clerk's bank balance was exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$146,907

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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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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Todd Cooper, Ballard County Judge/Executive
The Honorable Lynn Lane, Ballard County Clerk
Members of the Ballard County Fiscal Court

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

We have audited, 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, the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Ballard County Clerk for the year ended December 31, 2016, and the related notes to the financial statement and have issued our report thereon dated April 6, 2018. The Ballard County Clerk's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Ballard County Clerk's internal control over financial reporting (internal control) to determine the 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 Ballard County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Ballard County Clerk's internal control.

Our consideration of internal control 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 a certain deficiency in internal control that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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 deficiency described in the accompanying Schedule of Findings and Responses as item 2016-001 to be a material weakness.



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)

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 deficiencies described in the accompanying Schedule of Findings and Responses as items 2016-002 and 2016-003 to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Ballard 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 determination of financial statement amounts. 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 2016-003, 2016-004, and 2016-005.

Views of Responsible Official and Planned Corrective Action

The Ballard County Clerk's views and planned corrective action for the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Ballard County Clerk's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

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,



Mike Harmon
Auditor of Public Accounts

April 6, 2018

SCHEDULE OF FINDINGS AND RESPONSES

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BALLARD COUNTY
LYNN LANE, COUNTY CLERK
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2016

FINANCIAL STATEMENT FINDINGS:

2016-001 The Ballard County Clerk's Office Lacks Adequate Segregation Of Duties

The Ballard County Clerk's office lacks adequate segregation of duties over the accounting and reporting functions of the clerk's office. The county clerk receives cash, prepares and signs checks, posts to receipt and disbursements ledgers, prepares monthly bank reconciliations, and also prepares quarterly reports. This is a repeat finding and was included in the prior year audit report as finding 2015-001.

According to the clerk, this condition is the result of a limited budget, which restricts the number of employees the county clerk can hire or delegate duties to. A lack of segregation of duties or strong oversight increases the risk of undetected errors and fraud.

Good internal controls dictate a proper segregation of duties over the accounting and reporting functions or the implementation of compensating controls, when necessary because of a limited number of staff, is essential for providing protection from undetected errors. Additionally, a 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 writing checks, posting to the receipts and disbursements ledgers, preparing monthly bank reconciliations, and preparing quarterly reports. If this is not feasible, cross-checking procedures could be implemented and documented by the individual performing the procedure.

County Clerk's Response: Because of our limited staff and budget we must perform a multitude of duties. As clerk, I am ultimately responsible for all monies collected and disbursed to various entities; state, county, special taxing districts. I take responsibility very seriously and perform these duties myself. The monthly and quarterly reports and checks are reviewed and initialed by another employee in my office.

Auditor's Reply: There was no documented review of checks written, receipt and disbursement ledger postings, or quarterly financial reports, and bank reconciliations by anyone independent of the preparation process.

2016-002 The Ballard County Clerk Did Not Properly Account For Customer Charges

The Ballard County Clerk did not properly account for accounts receivable. The county clerk allows certain customers to charge business, but does not maintain a subsidiary ledger for these accounts receivable. According to the clerk, it is office practice that each day the charges are posted to the receipts ledger as shortages, and when payment is received, the collections are posted as overages. However, the county clerk occasionally has actual overages and shortages related to her daily deposits. Since customer charges are treated as overages and shortages, they are combined with the true overages/shortages on the receipts ledger. The county clerk could not document or account for the amount of accounts receivables outstanding at year-end because she did not separate customer charges from overages/shortages.

If customer charges are not accounted for properly, there is an increased risk that customers could have received services without paying for them. There is also an increased risk that accounts receivables could be misappropriated.

BALLARD COUNTY
 LYNN LANE, COUNTY CLERK
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2016
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-002 The Ballard County Clerk Did Not Properly Account For Customer Charges (Continued)

Strong internal controls dictate that customer charges are accounted for properly to ensure that assets are protected against misappropriation. Separating accounts receivable from overages and shortages also allows the county clerk to identify trends and common sources of errors.

We recommend the Ballard County Clerk account for customer charges separately from overages and shortages to properly document accounts receivable and also to help protect assets from misappropriation.

County Clerk's Response: We very carefully monitor occasional charges. These are kept in a separate folder and when they are paid the documentation is attached to the daily sheet. Charges are paid promptly and those that may be late are contacted and arrangements made for collection. Most charges are from dealers who fail to send enough money for a transaction. The dealer is contacted by us to make arrangement for payment before we process the transaction.

Auditor's Reply: The county clerk was unable to provide documentation for all accounts receivable transactions.

2016-003 The Ballard County Clerk Failed To Maintain Complete And Accurate Timesheets For Employees

This is a repeat finding and was included in the prior year audit report as finding 2015-003. The county clerk failed to maintain accurate timesheets for her full-time salaried employees for calendar year 2016. According to the clerk, it is an office practice that the timesheets for those employees do not show a breakdown of hours worked each day. Instead, the timesheets only show the total number of regular hours worked during the pay period. The timesheets also do not show overtime hours worked. It is also an office practice that the clerk keeps track of employees' overtime hours separately from their timesheets.

Because complete and accurate timesheets are not maintained, there is an increased risk that employees will not be properly compensated. Also, because the clerk failed to maintain complete and accurate timesheets, she is not in compliance with KRS 337.320(1).

KRS 337.320(1) states, "[e]very employer shall keep record of: (a) The amount paid each pay period to each employee; (b) The hours worked each day and each week by each employee; and (c) Such other information as the commissioner requires."

Strong internal controls dictate that complete and accurate timesheets are maintained to ensure that employees are properly compensated. Therefore, we recommend the Ballard County Clerk maintain complete and accurate timesheets for all employees. The timesheets should show the total hours, including overtime, worked each day and each week by each employee.

County Clerk's Response: Timesheets are kept and signed each pay period by each employee.

2016-004 Employees Were Improperly Paid A One-Time Payment For Accumulated Overtime

This is a repeat finding and was included in the prior year audit report finding 2015-003. In calendar year 2016, employees were improperly paid accumulated overtime wages in a lump sum at the end of the year. According to the clerk, in January 2016, employees signed an agreement stating that they agreed to have their overtime

BALLARD COUNTY
LYNN LANE, COUNTY CLERK
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2016
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-004 Employees Were Improperly Paid A One-Time Payment For Accumulated Overtime (Continued)

wages paid to them in one check in December 2016. The county clerk kept track of each employee's accumulated overtime hours and, in December 2016, issued each employee a check for their overtime wages earned during the year. Because employees received their overtime wages for the year in a lump sum at the end of the year, the county clerk is not in compliance with KRS 337.020.

KRS 337.020 states, "[e]very employer doing business in this state shall, as often as semimonthly, pay to each of its employees all wages or salary earned to a day not more than eighteen (18) days prior to the date of that payment. Any employee who is absent at the time fixed for payment, or who, for any other reason, is not paid at that time, shall be paid thereafter at any time upon six (6) days' demand. No employer subject to this shall, by any means, secure exemption from it. Every such employee shall have a right of action against any such employer for the full amount of his wages due on each regular pay day. The provisions of this section do not apply to those individuals defined in KRS 337.010(2)(a)2."

We recommend the Ballard County Clerk comply with KRS 337.020 by paying her employees their overtime wages throughout the year as earned.

County Clerk's Response: This has been corrected - next audit will reveal this corrective action.

2016-005 The Ballard County Clerk Did Not Have A Written Collateral Security Agreement With The Bank

When the county clerk opened her 2016 fee account with a new bank in December 2015, she failed to obtain a written collateral security agreement from the bank. The county clerk obtained a written collateral security agreement from the bank in October 2016, however, the date of the highest bank balance was April 12, 2016.

Because the county clerk did not have a written collateral security agreement with the bank, the bank did not provide pledges or collateral to protect the clerk's deposits. Therefore, on April 12, 2016, \$146,907 of the county clerk's deposits of public funds in depository institutions were uninsured and unsecured. Also, because the county clerk did not have a written agreement with the bank, she is not in compliance with KRS 41.240.

According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

We recommend the county clerk obtain written collateral security agreements anytime accounts are opened at a bank where the county clerk does not already have such an agreement in place. Additionally, the county clerk should monitor her deposits throughout the year and require the bank to pledge or provide sufficient collateral to protect the amount of public funds on deposit at all times.

County Clerk's Response: This has been corrected by the bank.