

**REPORT OF THE AUDIT OF THE
EDMONSON COUNTY
CLERK**

**For The Year Ended
December 31, 2015**



**MIKE HARMON
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EXECUTIVE SUMMARY
AUDIT OF THE
EDMONSON COUNTY CLERK

For The Year Ended
December 31, 2015

The Auditor of Public Accounts has completed the Edmonson County Clerk's audit for the year ended December 31, 2015. Based upon the audit work performed, the financial statement presents fairly in all material respects, the receipts, disbursements, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$312,171 from the prior year, resulting in excess fees of \$353,983 as of December 31, 2015. Receipts increased by \$298,810 from the prior year and disbursements decreased by \$13,361.

Report Comment:

2015-001 The County Clerk's Office Lacks Adequate Segregation Of Duties Over Cash, Receipts, Disbursements, And Reconciliations

Deposits:

The county clerk's deposits as of April 17, 2015, were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$47,652

The county clerk's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the county clerk's deposits in accordance with the security agreement.

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Wil Cannon, Edmonson County Judge/Executive
The Honorable Kevin Alexander, Edmonson County Clerk
Members of the Edmonson 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 Edmonson County, Kentucky, for the year ended December 31, 2015, 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 as described in Note 1. 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 Wil Cannon, Edmonson County Judge/Executive
The Honorable Kevin Alexander, Edmonson County Clerk
Members of the Edmonson 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 Edmonson 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 Edmonson County Clerk, as of December 31, 2015, 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 Edmonson County Clerk for the year ended December 31, 2015, 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 November 15, 2016 on our consideration of the Edmonson 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 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.

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

2015-001 The County Clerk's Office Lacks Adequate Segregation Of Duties Over Cash, Receipts, Disbursements, And Reconciliations

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

November 15, 2016

EDMONSON COUNTY
 KEVIN ALEXANDER, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2015

Receipts

HB 537 Revenue Supplement	\$	65,767	
State Fees For Services		3,447	
Fiscal Court		85,361	
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	388,102	
Usage Tax		467,957	
Tangible Personal Property Tax		969,741	
Lien Fees		10,188	
Notary Fees		3,290	
Other-			
Fish and Game Licenses		5,649	
Marriage Licenses		2,863	
Occupational Licenses		23	
Legal Process Tax		3,099	
Deed Transfer Tax		40,324	
Delinquent Tax		292,743	2,183,979

Fees Collected for Services:

Recordings-			
Deeds, Easements, and Contracts		8,595	
Real Estate Mortgages		17,919	
Chattel Mortgages and Financing Statements		31,736	
Powers of Attorney		1,719	
Affordable Housing Trust		16,056	
All Other Recordings		13,152	
Charges for Other Services-			
Copywork		3,169	
Postage		986	93,332

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

EDMONSON COUNTY
 KEVIN ALEXANDER, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2015
 (Continued)

Receipts (Continued)

Other:

Refunds	\$ 9,622	
Miscellaneous	<u>55</u>	\$ 9,677

Interest Earned		<u>613</u>
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Total Receipts		2,442,176
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Disbursements

Payments to State:

Motor Vehicle-		
Licenses and Transfers	\$ 272,749	
Usage Tax	453,919	
Tangible Personal Property Tax	388,528	
Licenses, Taxes, and Fees-		
Fish and Game Licenses	5,412	
Delinquent Tax	26,569	
Legal Process Tax	11,974	
Marriage Licenses	820	
Affordable Housing Trust	<u>18,315</u>	1,178,286

Payments to Fiscal Court:

Tangible Personal Property Tax	113,899	
Delinquent Tax	29,919	
Deed Transfer Tax	38,308	
Occupational Licenses	<u>19</u>	182,145

Payments to Other Districts:

Tangible Personal Property Tax	428,547	
Delinquent Tax	<u>138,743</u>	567,290

Payments to Sheriff		25,292
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Payments to County Attorney		40,158
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The accompanying notes are an integral part of this financial statement.

EDMONSON COUNTY
 KEVIN ALEXANDER, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2015
 (Continued)

Disbursements (Continued)

Operating Disbursements:

Contracted Services-			
Accounting & Support	\$	3,065	
Materials and Supplies-			
Office Supplies		781	
Other Charges-			
Refunds		9,646	
Bank Charges		36	
Bad Debt Expense		68	
			\$ 13,596
			<u> </u>
Total Disbursements			<u>\$ 2,006,767</u>
Net Receipts			435,409
Less: Statutory Maximum			<u>76,841</u>
Excess Fees			358,568
Less: Expense Allowance		3,600	
Training Incentive Benefit		985	
			<u>4,585</u>
Excess Fees Due County for 2015			353,983
Payments to Fiscal Court - Monthly			<u>353,590</u>
Balance Due Fiscal Court at Completion of Audit			<u>\$ 393</u>

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

EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2015

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 2015 services
- Reimbursements for 2015 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2015

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 the following 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).

EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Fee Pooling

The Edmonson County Clerk's office is required by the fiscal court to participate in a fee pooling system. Fee officials who are required to participate in fee pooling deposit all funds collected into their official operating account. The county clerk is responsible for paying all amounts collected for others and applicable refunds to customers. Residual funds are then paid to the county treasurer on a monthly basis. Invoices are submitted to the county treasurer to document operating expenses. The fiscal court pays all operating expenses for the fee official.

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

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 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.

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 17.67 percent for the first six months and 17.06 percent for the last six months.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2014, 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. Members contribute five percent (nonhazardous) 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 member's account is credited with a four percent (nonhazardous) 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.

EDMONSON COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2015
 (Continued)

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

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.

Note 3. Deposits

The Edmonson 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.

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 Edmonson 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. As of December 31, 2015, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of April 17, 2015, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the county clerk's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$47,652

EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2015
(Continued)

Note 4. Libraries and Archives Grant

The Edmonson County Clerk's office received a libraries and archives grant in the amount of \$26,451 on September 2, 2015. This amount was deposited into a libraries and archives grant account opened on September 2, 2015. The account earned \$22 in interest and had zero disbursements during calendar year 2015. The ending balance as of December 31, 2015 was \$26,473.

Note 5. Escrow Accounts

- A. The Edmonson County Clerk's office maintained an escrow account opened by the former county clerk. The beginning balance turned over to the current county clerk was \$263. Bank fees of \$36 were charged during calendar year 2015 due to no activity. The ending balance as of December 31, 2015 was \$227.
- B. The Edmonson County Clerk's office opened an escrow account on September 18, 2015 to deposit \$24,000 of funds remitted to his office per a court ordered case regarding a mechanic's lien. A check was written on December 16, 2015 for \$24,000 to close this account per court order. The ending balance as of December 31, 2015 was zero.

Note 6. On Behalf Payments

The Edmonson County Clerk's office is required by the fiscal court to participate in a fee pooling system. Since the Edmonson County Clerk is fee pooling, the Edmonson County Fiscal Court pays the Edmonson County Clerk's statutory maximum as reflected on the Edmonson County Clerk's financial statement. For the year ended December 31, 2015, the Edmonson County Fiscal Court's contributions recognized by the Edmonson County Clerk included the amounts that were based on the statutory maximum as required by KRS 64.5275. The Edmonson County Clerk recognized receipts from fiscal court and disbursements for statutory maximum of \$76,841, training incentive benefit of \$985, and expense allowance of \$3,600 for the year ended December 31, 2015.

Note 7. Former County Clerk Litigation

A. Civil Action 12-CI-00039

On February 29, 2012, the former (then current) Edmonson County Judge/Executive and the Edmonson County Fiscal Court filed litigation in Edmonson County Circuit Court against the former Edmonson County Clerk, requesting a judgment of \$24,771. This amount is obtained from the audit report for calendar year 2010 released by the Auditor of Public Accounts. Of this amount, \$20,103 is from the former county clerk exceeding the deputies' maximum salary limitation set by the fiscal court for 2010, and \$4,668 is excess fees due to the fiscal court for 2010. In addition, the fiscal court seeks recovery of costs, expenses, attorney's fees, and recovery of prejudgment and post judgment interest as may be available under applicable law. On May 22, 2012, the former Edmonson County Clerk countersued requesting declaratory judgment that the fiscal court is without authority to amend the county clerk's budget without his accord and that the annual clerk's office budgets passed by the Edmonson County Fiscal Court were arbitrary, unreasonable, and contrary to law therefore nullifying any claims of the fiscal court. In addition, the countersuit seeks award of the former county clerk's costs and attorney's fees. This case was consolidated with case 13-CI-00109 on October 20, 2016 and is currently pending in Edmonson County Circuit Court.

EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2015
(Continued)

Note 7. Former County Clerk Litigation (Continued)

B. Civil Action 13-CI-00109

On September 4, 2013, the former (then current) Edmonson County Judge/Executive and the Edmonson County Fiscal Court filed litigation in Edmonson County Circuit Court against the former Edmonson County Clerk, requesting a judgment of \$13,061. This amount is obtained from the audit report for calendar year 2011 released by the Auditor of Public Accounts. Of this amount, \$7,035 is from the former county clerk exceeding the deputies' maximum salary limitation set by the fiscal court for calendar 2011, and \$6,026 is excess fees due to the fiscal court for calendar year 2011. In addition, the fiscal court seeks recovery of costs, expenses, attorney's fees, and recovery of prejudgment and post judgment interest as may be available under applicable law.

On September 24, 2013, the former Edmonson County Clerk countersued requesting declaratory judgment that the fiscal court is without authority to amend the former county clerk's budget without his accord and that the annual county clerk's office budgets passed by the Edmonson County Fiscal Court were arbitrary, unreasonable, and contrary to law thereby nullifying any claims of the fiscal court. In addition, the countersuit seeks award of the former county clerk's costs and attorney's fees. This case will be consolidated with case 12-CI-00039 on November 21, 2016 and is currently pending in Edmonson County Circuit Court.

C. Criminal Action 15-CR-00096

On November 18, 2015, a former deputy clerk was indicted by the Edmonson County Circuit Court on 28 counts of "Entering False Information to Produce A Title Document" and 28 counts of "Processing Prohibited When Property Tax Account Delinquent." A jury trial is scheduled for April 20, 2017.

D. Small Claims 16-S-0007

A small claims complaint was filed on September 25, 2016 at the office of the Edmonson County Circuit Clerk office regarding former county clerk and Edmonson County by the Edmonson County Attorney's office claiming the former county clerk is responsible to pay Edmonson County a sum of \$2,347 based upon the audit report of the former Edmonson County Clerk for the year ended December 31, 2014. A hearing is scheduled for February 14, 2017.

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*



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Wil Cannon, Edmonson County Judge/Executive
The Honorable Kevin Alexander, Edmonson County Clerk
Members of the Edmonson 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 Edmonson County Clerk for the year ended December 31, 2015, and the related notes to the financial statement and have issued our report thereon dated November 15, 2016. The Edmonson 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 Edmonson 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 Edmonson County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Edmonson 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 over financial reporting 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 comment and recommendation, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 comment and recommendation as item 2015-001 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)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Edmonson 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

County Clerk's Response to Finding

The Edmonson County Clerk's response to the finding identified in our audit is described in the accompanying comment and recommendation. The Edmonson County Clerk's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

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

November 15, 2016

COMMENT AND RECOMMENDATION

EDMONSON COUNTY
KEVIN ALEXANDER, COUNTY CLERK
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2015

INTERNAL CONTROL – MATERIAL WEAKNESS:

2015-001 The County Clerk's Office Lacks Adequate Segregation Of Duties Over Cash, Receipts, Disbursements, And Reconciliations

The county clerk's office has a lack of segregation of duties over cash, receipts, disbursements, and the reconciliation process. The county clerk collects receipts, prepares deposits and daily checkout sheets, prints and signs checks, and prepares quarterly reports. He also posts to the ledgers and reconciles the bank statements. This condition is a result of a limited budget, which restricts the number of employees the county clerk can hire or delegate duties to.

Lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies, such as the Department for Local Government. The segregation of duties over various accounting functions such as preparing deposits, preparing daily checkout sheets, and issuance of cash receipts, is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

Adequate segregation of duties would prevent the same person from having a significant role in the receiving process, recording, and reporting of receipts and disbursements. If this is not feasible, due to a limited budget, cross checking procedures could be implemented and documented by the individual performing the procedure.

County Clerk's Response: Currently, both the Clerk and Deputy Clerk [name redacted] can do deposits and print-out reports. Going forward, we will try to do train another person in our office on these reports. In an attempt to further adhere, we will get different employees to initial off on the work of the Clerk. Currently, we have dual signatures on checks, have multiple review on mail, etc. Deposits are made by different employees as well.

