

**REPORT OF THE AUDIT OF THE  
NELSON COUNTY  
CLERK**

**For The Year Ended  
December 31, 2020**



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**209 ST. CLAIR STREET  
FRANKFORT, KY 40601-1817  
TELEPHONE (502) 564-5841  
FACSIMILE (502) 564-2912**



CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT .....	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS .....	3
NOTES TO FINANCIAL STATEMENT .....	7
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 <i>GOVERNMENT AUDITING STANDARDS</i> .....	15
SCHEDULE OF FINDINGS AND RESPONSES .....	19

THIS PAGE LEFT BLANK INTENTIONALLY



**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Dean Watts, Nelson County Judge/Executive  
The Honorable Jeanette Sidebottom, Nelson County Clerk  
Members of the Nelson 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 Nelson County, Kentucky, for the year ended December 31, 2020, 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 Dean Watts, Nelson County Judge/Executive  
The Honorable Jeanette Sidebottom, Nelson County Clerk  
Members of the Nelson 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 Nelson 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 the Nelson County Clerk, as of December 31, 2020, 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 Nelson County Clerk for the year ended December 31, 2020, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

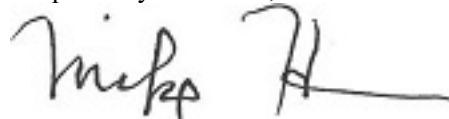
**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2021, on our consideration of the Nelson 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 Nelson County Clerk’s internal control over financial reporting and compliance.

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:

- 2020-001 The Nelson County Clerk Does Not Have Adequate Controls Over Accounting Functions
- 2020-002 The Nelson County Clerk Did Not Properly Account For Daily Collections

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

September 14, 2021

NELSON COUNTY  
 JEANETTE SIDEBOTTOM, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2020

Receipts

State Grant		\$ 47,380
Federal Grant		31,628
State Fees For Services		11,972
Fiscal Court		17,574
Licenses and Taxes:		
Motor Vehicle-		
Licenses and Transfers	\$ 1,793,251	
Usage Tax	5,236,635	
Tangible Personal Property Tax	4,861,798	
Other Fees	51,791	
Other-		
Housing and Trust	66,588	
Marriage Licenses	11,640	
Handicap Licenses	6,760	
E911 Fees	2,544	
Deed Transfer Tax	265,215	
Delinquent Tax	289,346	
Delinquent Tax Sale Deposits	<u>672,544</u>	13,258,112
Fees Collected for Services:		
Recordings-		
Deeds, Easements, and Contracts	78,172	
Real Estate Mortgages	231,300	
Chattel Mortgages and Financing Statements	108,820	
Document Storage	115,210	
All Other Recordings	150,156	
Charges for Other Services-		
Copy Work and Website Fees	<u>34,793</u>	718,451

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

NELSON COUNTY  
 JEANETTE SIDEBOTTOM, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2020  
 (Continued)

Receipts (Continued)

Other:

Election and Candidate Filing	\$	1,380	
Miscellaneous		8,110	
Refunds		<u>37,470</u>	\$ 46,960

Interest Earned			<u>493</u>
-----------------	--	--	------------

Total Receipts			14,132,570
----------------	--	--	------------

Disbursements

Payments to State:

Motor Vehicle-			
Licenses and Transfers	\$	1,313,736	
Usage Tax		5,082,289	
Tangible Personal Property Tax		1,806,424	
Licenses, Taxes, and Fees-			
Housing and Trust		66,588	
Delinquent Tax		26,429	
Legal Process Tax		43,177	
Tax Bills		7,142	
Handicap Placards		<u>5,408</u>	8,351,193

Payments to Fiscal Court:

Tangible Personal Property Tax		581,158	
Delinquent Tax		33,243	
Deed Transfer Tax		251,954	
E911 Fees		2,544	
Miscellaneous		<u>20,331</u>	889,230

Payments to Other Districts:

Tangible Personal Property Tax		2,279,744	
Delinquent Tax		<u>141,892</u>	2,421,636

Payments to Sheriff			24,131
---------------------	--	--	--------

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



NELSON COUNTY  
 JEANETTE SIDEBOTTOM, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2020  
 (Continued)

Disbursements (Continued)

Payments to County Attorney		\$ 40,883	
Other Regulatory Payments:			
Delinquent Tax Deposit Refunds		672,544	
Operating Disbursements and Capital Outlay:			
Personnel Services-			
Deputies' Salaries	\$ 491,640		
Employee Benefits-			
Employer's Paid Health Insurance	84,357		
Contracted Services-			
Rebinding/Microfilming/Scanning	555		
Advertising	8,624		
Rental Maintenance/Agreements	15,339		
Materials and Supplies-			
Office Supplies	22,740		
Other Charges-			
Refunds	36,713		
Conventions and Travel	265		
Dues and Miscellaneous	21,364		
Insufficient Funds Checks	2,480		
Repairs and Maintenance	1,238		
Postage	34,543		
Uniforms	1,199		
Libraries and Archives Grant	47,380		
Capital Outlay-			
Office Equipment	17,026	785,463	
Total Disbursements			<u>\$ 13,185,080</u>

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

NELSON COUNTY  
JEANETTE SIDEBOTTOM, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
For The Year Ended December 31, 2020  
(Continued)

Net Receipts		\$	947,490
Less: Statutory Maximum			<u>101,344</u>
Excess Fees			846,146
Less: Expense Allowance	\$	3,600	
Training Incentive Benefit		<u>2,156</u>	<u>5,756</u>
Excess Fees Due County for 2020			840,390
Payment to Fiscal Court - February 28, 2021			<u>840,390</u>
Balance Due Fiscal Court at Completion of Audit		\$	<u><u>0</u></u>

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

NELSON COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2020

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 is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This basis 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 2020 services
- Reimbursements for 2020 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2020

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 clerk's office has 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.

NELSON COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2020  
 (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 be allocated as follows: five percent will go to the member's account and one percent will go to the KRS insurance fund.

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 covered employees contribute five percent of their annual creditable compensation. Nonhazardous members also contribute 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 KRS Board of Directors 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 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.

The county's contribution rate for nonhazardous employees was 24.06 percent for the year.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS 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:

<b>Years of Service</b>	<b>% Paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
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.

NELSON COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2020  
 (Continued)

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

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

Benefits are covered under KRS 161.714 with exception of COLA and retiree health benefits after July 2003.

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous

Once members reach a minimum vesting period of 15 years, 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 by 1.5 percent. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5 percent cost of living adjustment (COLA) since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

Tier 2 member benefits are covered by KRS 161.714 with exception of COLA and retiree health benefits after July 2003. Tier 3 members are not covered by the same provisions.

C. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of KRS benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5 percent. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

D. Cost of Living Adjustments - Tier 2 and Tier 3

No COLA is given unless authorized by the legislature with specific criteria. To this point, no COLA has been authorized by the legislature for Tier 2 or Tier 3 members.

E. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KRS will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

KRS Annual Financial Report and Proportionate Share Audit Report

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. 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.

NELSON COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2020  
 (Continued)

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

KRS Annual Financial Report and Proportionate Share Audit Report (Continued)

KRS also issues proportionate share audit reports for both total pension liability and other post-employment benefits for CERS determined by actuarial valuation as well as each participating county's proportionate share. Both the Schedules of Employer Allocations and Pension Amounts by Employer and the Schedules of Employer Allocations and OPEB Amounts by Employer reports and the related actuarial tables are available online at <https://kyret.ky.gov>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

Note 3. Deposits

The Nelson County Clerk maintained deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The DLG Manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected 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 met.

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 Nelson County Clerk does not have a deposit policy for custodial credit risk, but rather follows the requirements of the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of December 31, 2020, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. State Grant

The Nelson County Clerk's office received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$47,380. Funds totaling \$47,380 were expended during the year. The unexpended grant balance was \$0 as of December 31, 2020.

Note 5. Federal Grant

The Nelson County Clerk's office received Cares Act funds in the amount of \$31,628. Funds totaling \$31,628 were expended during the year. The grant balance was \$0 as of December 31, 2020.

Note 6. Lease Agreements

The Nelson County Clerk's office was committed to the following lease agreements as of December 31, 2020:

Item Purchased	Monthly Payment	Term Of Agreement	Ending Date	Principal Balance December 31, 2020
Postage Meter	\$ 138	60 Months	9/12/2020	\$ 0
Postage Meter	\$ 147	60 Months	11/18/2025	\$ 8,526

NELSON COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2020  
(Continued)

Note 7. Escrow Account

The Nelson County Clerk deposited outstanding checks into a custodial bank account. When statutorily required, the county clerk will turn over the escrowed funds to the Kentucky State Treasurer as unclaimed property. The county clerk's escrowed amounts were as follows:

2019	\$346
------	-------

THIS PAGE LEFT BLANK INTENTIONALLY



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*

THIS PAGE LEFT BLANK INTENTIONALLY



**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Dean Watts, Nelson County Judge/Executive  
The Honorable Jeanette Sidebottom, Nelson County Clerk  
Members of the Nelson 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 Nelson County Clerk for the year ended December 31, 2020, and the related notes to the financial statement and have issued our report thereon dated September 14, 2021. The Nelson 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 Nelson 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 Nelson County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Nelson 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 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 deficiency described in the accompanying Schedule of Findings and Responses as item 2020-001 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 deficiency described in the accompanying Schedule of Findings and Responses as item 2020-002 to be a significant deficiency.

**Compliance and Other Matters**

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

**Views of Responsible Official and Planned Corrective Action**

The Nelson 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 Nelson 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

September 14, 2021

## SCHEDULE OF FINDINGS AND RESPONSES

THIS PAGE LEFT BLANK INTENTIONALLY

NELSON COUNTY  
JEANETTE SIDEBOTTOM, COUNTY CLERK  
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2020

INTERNAL CONTROL - MATERIAL WEAKNESS:

2020-001 The Nelson County Clerk Does Not Have Adequate Controls Over Accounting Functions

---

This is a repeat finding and was included in the prior year audit report as finding 2019-001. The Nelson County Clerk's office does not have segregation of duties over receipts and monthly bank reconciliations and has not implemented adequate controls. There are two employees that rotate between doing the daily checkout sheet and comparing the daily checkout sheet to supporting documentation from the computer system. There was no documentation of this review on the daily checkout sheet. The same two employees rotate between completing the bank reconciliation at the end of each month, but there was also no documentation of review.

The county clerk does not have segregation of duties over receipts as part of internal controls for the office. Without proper segregation of duties, the risk of undetected material misstatement significantly increases due to errors and theft. Strong internal controls and procedures are vital to ensure proper segregation of duties over collection, reporting, depositing, and reconciling receipts and disbursements. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. If duties are not segregated, effective compensating controls should be maintained and documented.

We recommend the county clerk segregate controls over receipts and reconciliations. If these duties cannot be segregated, then strong oversight should be provided to the employee responsible for these duties. Examples of compensating controls include, but are not limited to, daily checkout be reviewed and initialed and bank deposit receipt be reviewed and initialed as well as the bank reconciliation should be documented after review when compared to the bank balance.

*County Clerk's Response: Employees rotate doing checkout and bank reconciliation. The employee who did not do the original double checks work and initials the documents. Started this towards end of 2020.*

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY:

2020-002 The Nelson County Clerk Did Not Properly Account For Daily Collections

---

The Nelson County Clerk did not properly account for daily collections the week tested. The week of August 17 through August 21, 2020, was tested and the following was noted: the August 17 deposit cash total was \$4,980 and daily collections cash total was \$5,005, for a difference of \$25. On August 18, the deposit cash total was \$3,651 and daily collections cash total was \$3,629, for a difference of \$22. Daily deposits of cash did not agree to the daily checkout sheet due to over and short not accurately documented on the daily checkout sheet; and deposits were not made intact within 3 business days.

Per the bookkeeper, the difference is a result of a lien that shows as a refund for the day tested; however, it does not get processed until the following day. In addition, the county clerk does not have procedures in place to ensure that daily cash and checks collected are reconciled to the cash and check per the deposit ticket, including allowing the previous day's collections to not be closed out until after processing the following morning and allowing deposits to be made several days after collection.

Improper accounting for receipts increases the risk of error or fraud. Also, deposits not being made daily, significantly increases the risk and opportunity for the undetected misappropriation of assets.

NELSON COUNTY  
JEANETTE SIDEBOTTOM, COUNTY CLERK  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended December 31, 2020  
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY: (Continued)

2020-002 The Nelson County Clerk Did Not Properly Account For Daily Collections (Continued)

---

Proper accounting procedures for receipts dictate that cash and check totals per daily checkout sheets should agree to the cash and check totals for the daily deposit ticket, and overage and shortages should be properly accounted for. The practice of making daily deposits reduces the risk of misappropriation of cash, which is the asset most subject to possible theft. In addition, the Department for Local Government (DLG) was given the authority by KRS 68.210 to prescribe a uniform system of accounts. The minimum requirements for handling public funds as stated in the *County Budget Preparation and State Local Finance Officer Policy Manual* states perform daily check-out procedures and make daily intact deposits to a federal insured banking institution.

We recommend the county clerk implement procedures to comply with the DLG manual to ensure:

- The cash and check totals per daily checkout sheet agree to cash and checks deposited in the bank per the deposit ticket, overages and shortages are accounted for properly.
- All collections are deposited intact daily to the bank.
- Any differences or issues are documented on the daily checkout sheets.

*County Clerk's Response: We have a process in place that we think corrects this.*