

**REPORT OF THE AUDIT OF THE
FORMER PERRY COUNTY
CLERK**

**For The Year Ended
December 31, 2017**



**MIKE HARMON
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Scott Alexander, Perry County Judge/Executive
The Honorable Haven King, Former Perry County Clerk
The Honorable Wayne Napier, Perry County Clerk
Members of the Perry 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 former County Clerk of Perry County, Kentucky, for the year ended December 31, 2017, 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.

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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 former Perry 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 former Perry County Clerk, as of December 31, 2017, 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 former Perry County Clerk for the year ended December 31, 2017, 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 December 17, 2018, on our consideration of the former Perry 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 former Perry 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:

- 2017-001 The Former Perry County Clerk's Office Lacked Adequate Segregation Of Duties
- 2017-002 The Former Perry County Clerk's Ledgers And Quarterly Financial Report Did Not Include All Receipts And Disbursements

Respectfully submitted,



Mike Harmon
 Auditor of Public Accounts

December 17, 2018

PERRY COUNTY
 HAVEN KING, FORMER COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2017

Receipts

State Fees For Services	\$	24,086
Fiscal Court		13,771
Licenses and Taxes:		
Motor Vehicle-		
Licenses and Transfers	\$ 1,038,737	
Usage Tax	3,402,389	
Tangible Personal Property Tax	2,439,434	
Other-		
Marriage Licenses	7,597	
Occupational Licenses	1,949	
Deed Transfer Tax	26,204	
Delinquent Tax	<u>1,263,812</u>	8,180,122
Fees Collected for Services:		
Recordings-		
Deeds, Easements, and Contracts	15,963	
Real Estate Mortgages	10,842	
Chattel Mortgages and Financing Statements	88,814	
All Other Recordings	66,222	
Charges for Other Services-		
Copywork	<u>9,918</u>	191,759
Other:		
Miscellaneous		13,005
Interest Earned		<u>613</u>
Total Receipts		8,423,356

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

PERRY COUNTY
 HAVEN KING, FORMER COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2017
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 708,618	
Usage Tax	3,295,780	
Tangible Personal Property Tax	912,107	

Licenses, Taxes, and Fees-

Delinquent Tax	153,578	
Legal Process Tax	21,961	
Affordable Housing Trust	<u>34,668</u>	\$ 5,126,712

Payments to Fiscal Court:

Tangible Personal Property Tax	260,983	
Delinquent Tax	89,915	
Deed Transfer Tax	25,528	
Occupational Licenses	<u>1,677</u>	378,103

Payments to Other Districts:

Tangible Personal Property Tax	1,167,031	
Delinquent Tax	<u>648,095</u>	1,815,126

Payments to Sheriff 108,004

Payments to County Attorney 158,650

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	502,493	
Part-Time Salaries	24,832	

Employee Benefits-

Employer's Share Social Security	44,619	
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Contracted Services-

Advertising	4,472	
Printing and Binding	5,177	

Materials and Supplies-

Office Supplies	47,358	
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The accompanying notes are an integral part of this financial statement.

PERRY COUNTY
 HAVEN KING, FORMER COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2017
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Other Charges-		
Conventions and Travel	\$ 5,568	
Dues	1,530	
Postage	4,030	
Phone	7,764	
Equipment Repairs	9,032	
Refunds	12,378	
Insurance and Bonds	998	
Uncollected Returned Checks	1,058	
Miscellaneous	<u>9,134</u>	\$ 680,443
Capital Outlay-		
Office Equipment	25,037	
Computer Equipment	<u>5,000</u>	30,037
Debt Service:		
Lease Purchases		<u>22,418</u>
Total Disbursements		<u>\$ 8,319,493</u>
Net Receipts		103,863
Less: Statutory Maximum		<u>91,163</u>
Excess Fees		12,700
Less: Expense Allowance	3,600	
Training Incentive Benefit	<u>4,052</u>	<u>7,652</u>
Balance Due Fiscal Court at Completion of Audit *		<u><u>5,048</u></u>

* - The county clerk presented a check to the fiscal court in the amount of \$4,500 for excess fees on March 27, 2018.

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

PERRY COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2017

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 2017 services
- Reimbursements for 2017 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2017

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.

PERRY COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2017
 (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. The county's contribution rate for nonhazardous employees was 18.68 percent for the first six months and 19.18 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.

Health Insurance Coverage

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.

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.

PERRY COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2017
(Continued)

Note 3. Deposits

The former Perry 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 former Perry 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, 2017, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Grant

The beginning balance in the grant account as of January 1, 2017, was \$175. The former clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$16,895 to purchase computer workstations for the clerk's office during calendar year 2017. The term of the project was July 1, 2017 to June 30, 2018. There were no funds expended during the year. The former clerk earned interest of \$6, leaving a balance of \$17,076 in the grant account as of December 31, 2017.

Note 5. Lease Agreements

- A. The former Perry County Clerk's office was committed to a lease agreement for a copier. The agreement required 60 monthly payments of \$243 to be completed in May 2017. As of May 2017, the former county clerk's agreement was paid in full.
- B. The former Perry County Clerk's office was committed to a lease agreement for computer equipment and software. The agreement requires 60 monthly payments of \$1,610 to be completed in April 2021. As of December 31, 2017, the county clerk's office was in compliance with the terms of the agreement.
- C. The former Perry County Clerk's office was committed to a lease agreement for a copier. The agreement required 48 monthly payments of \$262 to be completed in December 2017. As of December 2017, the former county clerk's agreement was paid in full.
- D. The Perry County Clerk's office was committed to a lease agreement for a postage meter and scale. The agreement requires 20 quarterly payments of \$495 to be completed in January 2021. As of December 31, 2017, the county clerk's office was in compliance with the terms of the agreement.

PERRY COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2017
(Continued)

Note 6. Court Ordered Restitution

The Commonwealth's Attorney conducted an investigation resulting in the prosecution of the former bookkeeper of the Perry County Clerk's office. On March 25, 2010, the former employee pled guilty, pursuant to North Carolina v. Alford, 400 U.S. 25 (1970), to the amended count of Official Misconduct 1st Degree (a Class A misdemeanor), which was committed between January 30, 2006 and December 29, 2006. The circuit court ordered restitution of \$21,473, payable to the Perry County Circuit Clerk's office in monthly payments of \$150. During calendar year 2017, the Perry County Circuit Clerk collected \$1,350 from the former employee in restitution. Subsequently, the restitution was paid to the Perry County Fiscal Court as 2006 calendar year excess fees. As of December 31, 2017, total restitution due to the Perry County Fiscal Court as 2006 excess fees is \$7,723, with \$300 of this total being due to the Kentucky State Treasurer for 2006 legal process fees.

Note 7. Escrow Account

The former county clerk maintained an escrow account for the purpose of holding unclaimed funds. The balance in the account as of December 31, 2017, was \$127.

Note 8. Promissory Note

The former Perry County Clerk and the Perry County Fiscal Court jointly and severally are liable for an unsecured note payable to Peoples Bank & Trust Company in the amount of \$75,150, together with interest on the unpaid principal balance from January 13, 2017, calculated using an interest rate of 5 percent, until paid in full. The purpose of the note was to pay outstanding liabilities of the clerk's office for calendar year 2016. The date of the note payable was January 13, 2017, with a maturity date of October 13, 2017. The unsecured note payable was signed by the former Perry County Clerk and by the Perry County Judge/Executive for the Perry County Fiscal Court. The Perry County Fiscal Court paid this note in full in November 14, 2017.

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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 Scott Alexander, Perry County Judge/Executive
The Honorable Haven King, Former Perry County Clerk
The Honorable Wayne Napier, Perry County Clerk
Members of the Perry 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 former Perry County Clerk for the year ended December 31, 2017, and the related notes to the financial statement and have issued our report thereon dated December 17, 2018. The former Perry 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 former Perry 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 former Perry County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the former Perry 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 2017-001 to be a material weakness.

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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*
(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 2017-002 to be a significant deficiency.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the former Perry 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2017-002.

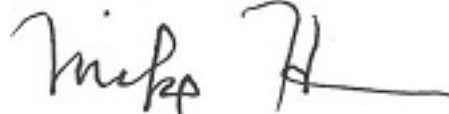
Views of Responsible Official and Planned Corrective Action

The former Perry 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 former Perry 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

December 17, 2018

SCHEDULE OF FINDINGS AND RESPONSES

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PERRY COUNTY
HAVEN KING, FORMER COUNTY CLERK
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2017

FINANCIAL STATEMENT FINDINGS:

2017-001 The Former Perry County Clerk's Office Lacked Adequate Segregation Of Duties

This is a repeat finding and was included in the prior year audit report as finding 2016-001. The former Perry County Clerk's office lacked segregation of duties over receipts, disbursements, and reconciliations. All of the former county clerk's employees received cash. The bookkeeper received cash, prepared deposits on a rotating basis with other deputy clerks, posted revenue to the ledger, prepared disbursements other than those listed elsewhere in this comment, posted disbursements to the ledger, and completed the monthly bank reconciliations. The former county clerk assigned different deputies to be responsible for the usage, registration, delinquent tax, legal process, and chattel disbursements. Employees are not cross-trained; therefore, only the deputy responsible for a certain report is knowledgeable about those reports. The deputy who prepared the report was also responsible for preparing all disbursement checks. Although the former county clerk reviewed the monthly reports and disbursements, auditors found no evidence that he reviewed refund or overpayment disbursements. In order to post all disbursements, the bookkeeper used the check register instead of the actual disbursement check and supporting documentation.

According to the former clerk, a limited budget placed restrictions on the number of employees the former clerk could hire. When faced with a limited number of staff, strong compensating controls should be in place to offset the lack of segregation of duties. The implementation of compensating controls 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 responsibilities.

When one deputy collects revenue, prepares deposits, prepares the reports and prepares the disbursements, that deputy has control over the entire process. No evidence was found that the former county clerk or another deputy verified the receipts or disbursements, with the exception of payroll, before they were remitted or posted to the ledger. Also, allowing one person control over an entire process without oversight subjects the monies of the Perry County Clerk's office to inaccurate financial reporting or misappropriation.

Segregation of duties over cash collections, daily checkout procedures, deposit preparation, and the preparation of checks are 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.

We recommend the office of the county clerk segregate duties and institute compensating controls. Examples of controls include, but are not limited to, cross-training employees, requiring deputies to periodically rotate duties, routinely recalculating daily checkout procedures for accuracy, obtaining bank statements unopened, re-performing bank reconciliations, and ensuring that reports and financial statements are accurate by comparing to the ledgers. The former county clerk could have appointed one individual to be responsible for issuing all disbursements. The former county clerk should have approved all refunds. The former county clerk and deputies should have documented the review processes by initialing the reports and supporting documentation.

Former County Clerk's Response: Limited budget and limited staff makes proper segregation of duties difficult. The County Clerk has reviewed the recommendations in the audit and will take action to implement those recommendations. We have 12 employees that rotate doing the deposit. The County Clerk will sign off on the reports such as the delinquent tax and Ad Valorem. The County Clerk will review each bank statement and invoice.

PERRY COUNTY
HAVEN KING, FORMER COUNTY CLERK
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2017
(Continued)

FINACIAL STATEMENT FINDINGS: (Continued)

2017-002 The Former Perry County Clerk's Ledgers And Quarterly Financial Report Did Not Include All Receipts And Disbursements

This is a repeat finding and was included in the prior year audit report as finding 2016-003. The former county clerk's ledgers and fourth quarter financial report did not include all receipts and disbursements for calendar year 2017. Transactions occurring after the end of the calendar year were not posted to the receipts and disbursements ledger and the fourth quarter financial report. The former county clerk did not have proper internal controls in place to ensure that all transactions were posted to the quarterly financial report. Inaccurate reporting of receipts and disbursements can result in overspending of the planned budget, expending more on allowable operating expenditures than income received, and incorrect financial reporting to the Department for Local Government. As a result, numerous audit adjustments were recommended to correct the receipts and disbursements ledgers. Good internal controls dictate the county clerk should reconcile his ledgers to his quarterly financial reports on a monthly basis. KRS 68.210 requires the state local finance officer to prescribe a system of uniform accounts for county officials to follow. The state local finance officer requires officials to maintain accurate records, which support amounts reported on the quarterly financial reports. We recommend the county clerk's office maintain complete and accurate receipts and disbursements ledgers which support the amounts reported on the quarterly financial report.

Former County Clerk's Response: The County Clerk will maintain and complete an accurate receipts and disbursements ledgers which support the amount reported on quarterly financial reports. The County Clerk will ensure that his ledgers are reconciled to the quarterly financial reports.