

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

**For The Period January 1, 2017  
Through June 30, 2017**



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

The Honorable James Anderson, Powell County Judge/Executive  
The Honorable Rhonda Barnett, Former Powell County Clerk  
The Honorable Karen Graham, Powell County Clerk  
Members of the Powell 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 Powell County, Kentucky, for the period January 1, 2017 through June 30, 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.



The Honorable James Anderson, Powell County Judge/Executive  
The Honorable Rhonda Barnett, Former Powell County Clerk  
The Honorable Karen Graham, Powell County Clerk  
Members of the Powell 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 former Powell 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 Powell County Clerk, as of June 30, 2017, or changes in financial position or cash flows thereof for the period 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 Powell County Clerk for the period January 1, 2017 through June 30, 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 April 11, 2018, on our consideration of the former Powell County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

The Honorable James Anderson, Powell County Judge/Executive  
The Honorable Former Rhonda Barnett, Powell County Clerk  
The Honorable Karen Graham, Powell County Clerk  
Members of the Powell County Fiscal Court

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

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

- 2017-001 The Former County Clerk Paid \$659 In Disallowed Disbursements
- 2017-002 The Former County Clerk Did Not Present An Annual Settlement To The Fiscal Court And Did Not Pay Excess Fees For The Period January 1, 2017 through June 30, 2017
- 2017-003 The Former County Clerk Failed To Maintain Adequate Controls Regarding Oversight And Review Of Daily Functions
- 2017-004 The Former County Clerk's Office Lacked Adequate Segregation Of Duties Over Disbursements

Respectfully submitted,

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

Mike Harmon  
Auditor of Public Accounts

April 11, 2018

POWELL COUNTY  
RHONDA BARNETT, FORMER COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Period January 1, 2017 Through June 30, 2017

Receipts

State Revenue Supplement		\$ 66,599
Licenses and Taxes:		
Motor Vehicle-		
Licenses and Transfers	\$ 310,874	
Usage Tax	444,413	
Tangible Personal Property Tax	605,551	
Notary Fees	372	
Other-		
Fish and Game Licenses	9,467	
Marriage Licenses	2,769	
Deed Transfer Tax	9,758	
Delinquent Tax	77,044	1,460,248
Fees Collected for Services:		
Recordings-		
Deeds, Easements, and Contracts	3,393	
Real Estate Mortgages	7,175	
Chattel Mortgages and Financing Statements	23,038	
Powers of Attorney	436	
Affordable Housing Trust	5,604	
All Other Recordings	5,009	
Charges for Other Services-		
Car Liens	6,214	
Elections	207	51,076
Other:		
Refunds	320	
Miscellaneous	2,402	2,722
Interest Earned		61
Total Receipts		1,580,706

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



POWELL COUNTY  
 RHONDA BARNETT, FORMER COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Period January 1, 2017 Through June 30, 2017  
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 237,335	
Usage Tax	431,081	
Tangible Personal Property Tax	228,809	
Licenses, Taxes, and Fees-		
Fish and Game Licenses	9,343	
Delinquent Tax	9,020	
Legal Process Tax	7,881	
Affordable Housing Trust	<u>5,580</u>	\$ 929,049

Payments to Fiscal Court:

Tangible Personal Property Tax	56,164	
Delinquent Tax	7,433	
Deed Transfer Tax	<u>9,270</u>	72,867

Payments to Other Districts:

Tangible Personal Property Tax	297,066	
Delinquent Tax	<u>37,194</u>	334,260

Payments to Sheriff

6,053

Payments to County Attorney

10,042

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	59,943
Part-Time Salaries	13,278

Employee Benefits-

Employer's Share Social Security	8,986
Employer's Share Retirement	21,043
Employer's Paid Health Insurance	9,962

Contracted Services-

Copier	2,308
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Materials and Supplies-

Office Supplies	3,722
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The accompanying notes are an integral part of this financial statement.

POWELL COUNTY  
 RHONDA BARNETT, FORMER COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Period January 1, 2017 Through June 30, 2017  
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Other Charges-			
Dues	\$	800	
Postage		1,570	
Miscellaneous		1,238	
Capital Outlay-			
Computer Software and Support		<u>13,571</u>	<u>\$ 136,421</u>
Total Disbursements			\$ 1,488,692
Less: Disallowed Disbursement			
Penalties, Fees, and Interest on Legal Process Taxes			<u>(659)</u>
Total Allowable Disbursements			<u>1,488,033</u>
Net Receipts			92,673
Less: Statutory Maximum			<u>42,543</u>
Excess Fees			50,130
Less: Expense Allowance			<u>1,800</u>
Balance Due Fiscal Court at Completion of Audit *			<u>\$ 48,330</u>

\* - The county clerk presented a check to the fiscal court for excess fees on April 11, 2018.

POWELL COUNTY  
NOTES TO FINANCIAL STATEMENT

June 30, 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.

POWELL COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 June 30, 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 the plan. The county's contribution rate for nonhazardous employees was 18.68 percent for the period January 1, 2017 through June 30, 2017.

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.

The former county clerk's contribution for calendar year 2015 was \$35,929, calendar year 2016 was \$36,621, and the period January 1, 2017 through June 30, 2017 was \$21,043.

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:

<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.

POWELL COUNTY  
NOTES TO FINANCIAL STATEMENT  
June 30, 2017  
(Continued)

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

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.

Note 3. Deposits

The former Powell 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 former county clerk's deposits may not be returned. The former Powell 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 June 30, 2017, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Lease Agreement

The Powell County Clerk's office was committed to a lease agreement for a copier. The agreement required a monthly payment of \$383 for 48 months and was completed in April 2017. The former county clerk met the lease requirements and is no longer under the original contract term, however is still using the copiers on a month-to-month basis.

Note 5. Subsequent Event

The former Powell County Clerk, Rhonda Barnett, retired on June 30, 2017. The Powell County Judge/Executive appointed Karen Graham as Powell County Clerk on July 5, 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 James Anderson, Powell County Judge/Executive  
The Honorable Rhonda Barnett, Former Powell County Clerk  
The Honorable Karen Graham, Powell County Clerk  
Members of the Powell 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 Powell County Clerk for the period January 1, 2017 through June 30, 2017, and the related notes to the financial statement and have issued our report thereon dated April 11, 2018. The former Powell 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 Powell 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 Powell County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the former Powell County Clerk's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control, which are described in the accompanying Schedule of Findings and Responses as items 2017-003 and 2017-004 that we consider to be significant deficiencies.



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 former Powell County Clerk's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2017-001 and 2017-002.

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

The former Powell 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 Powell County Clerk's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

April 11, 2018

SCHEDULE OF FINDINGS AND RESPONSES

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POWELL COUNTY  
RHONDA BARNETT, FORMER COUNTY CLERK  
SCHEDULE OF FINDINGS AND RESPONSES

For The Period January 1, 2017 Through June 30, 2017

STATE LAWS AND REGULATIONS:

2017-001 The Former County Clerk Paid \$659 In Disallowed Disbursements

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This is a repeat finding and was included in the prior year audit report as finding 2016-001. The former county clerk paid \$659 in penalties, fees, and interest for untimely payments of legal process taxes. According to the former county clerk, due to illness, she was not present in the office to perform her duties. Therefore, the reports for legal process taxes were not submitted timely and penalties, fees, and interest were charged. As a result, the former county clerk personally owes \$659 to the 2017 fee account.

In Funk v. Milliken, 317 S.W.2d 499 (Ky. 1958), Kentucky's highest court ruled that county fee officials' expenditures of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not primarily personal in nature. Penalties, fees, and interest are not allowable disbursements for a fee official as they are not necessary expenses and are not beneficial to the public. We recommend the former county clerk reimburse the 2017 fee account \$659 from her personal funds for these disallowed items.

*Former County Clerk's Response: These disbursements have been reimbursed in the amount of \$659.00 from my personal account. None of these disallowed disbursements were for any personal use or my personal expenses. They were disallowed penalties, interest and miscellaneous fees for monthly reports to the State not submitted by my deputies during my critical illness and hospital stay while on family medical leave due to their lack of knowledge of the Administrative Duties of the Clerk's office. My "bookkeeper", [name redacted], took on the responsibility of submitting these reports.*

2017-002 The Former County Clerk Did Not Present An Annual Settlement To The Fiscal Court And Did Not Pay Excess Fees For The Period January 1, 2017 through June 30, 2017

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This is a repeat finding and was included in the prior year audit report as finding 2016-002. The former county clerk did not present an annual settlement to the fiscal court for the period January 1, 2017 through June 30, 2017. Further, the former county clerk did not pay excess fees to the fiscal court. The former county clerk's 2017 fee account has a bank balance of \$47,759 and she owes \$659 from personal funds for disallowed items. The former county clerk owes \$48,418 to the fiscal court as 2017 excess fees. According to the former county clerk, due to illness, she was not present in the office during the period January 1, 2017 through June 30, 2017, when she retired.

As a result, the fiscal court was not aware of the financial activities for the period January 1, 2017 through June 30, 2017. Furthermore, failure to issue excess fees to the fiscal court in a timely manner deprived the fiscal court the use of these funds for budgeted operations. KRS 64.152(1) states, "the county clerk shall provide to the fiscal court by March 15 of each year a complete statement for the preceding calendar year of all funds received by his office in an official capacity or for official services, and of all expenditures of his office, including his salary, compensation of deputies and assistants, and reasonable expenses." KRS 64.152(2) states, "[a]t the time of filing the statement required by subsection (1) of this section, the clerk shall pay to the fiscal court any income of his office[.]"

We recommend the former county clerk pay excess fees to the fiscal court as soon as possible.

*Former County Clerk's Response: Due to my illness and hospital stay while on family medical leave, I was not present during this time but the excess fees and settlement have now been paid to the Powell County Fiscal Court in the amount of \$48,366.28.*

POWELL COUNTY  
 RHONDA BARNETT, FORMER COUNTY CLERK  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Period January 1, 2017 Through June 30, 2017  
 (Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES:

2017-003 The Former County Clerk Failed To Maintain Adequate Controls Regarding Oversight and Review Of Daily Functions

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This is a repeat finding and was included in the prior year audit report as finding 2016-003. The former county clerk failed to maintain adequate oversight and review of daily office functions during the period January 1, 2017 through June 30, 2017. Timely review and reconciliation was not performed resulting in multiple issues such as disallowed penalties paid for untimely payments to the state. According to the former county clerk, due to illness, she was not present in the office to perform her duties during the period January 1, 2017 through June 30, 2017. As a result of inadequate review and reconciliation, we found invoices being paid late. Also, legal process reports were not paid timely resulting in penalties and interest totaling \$659 (see finding 2017-001).

Good internal controls dictate that strong supervisory review and oversight should be in place to reduce the risk of misstatement, uncorrected errors, and unnecessary penalties. We recommend the county clerk's office strengthen controls over daily work by implementing a strong oversight and review process. This review should include reviewing daily work, paying expenditures on time, reviewing bank statements and reconciliations, and providing a strong presence within the office.

*Former County Clerk's Response: I was not present in the office during any of the months from January through June 2017 due to illness and was out on family medical leave. I retired on July 1<sup>st</sup>, 2017.*

2017-004 The Former County Clerk's Office Lacked Adequate Segregation Of Duties Over Disbursements

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This is a repeat finding and was included in the prior year audit report as finding 2016-004. The former county clerk's office lacked adequate segregation of duties over disbursements without sufficient compensating controls. According to the former county clerk, due to illness, she was not present in the office to perform her duties during the period January 1, 2017 through June 30, 2017. Therefore, the bookkeeper performed her own duties as well as the former county clerk's duties without implementing compensating controls to mitigate risks involved with inadequate segregation of duties over disbursements. The lack of segregation of duties increases the risk of misappropriation of assets, errors, and inaccurate financial reporting. If segregation is not possible, compensating controls or independent checks are needed to mitigate the risks.

Strong internal controls and segregation of duties over disbursements help ensure accurate financial reporting. We recommend the county clerk's office segregate incompatible duties over disbursements or implement compensating controls to help mitigate risks.

*Former County Clerk's Response: Prior to my illness I did have my "bookkeeper", [name redacted], to do the balance and checks on all my disbursements and monthly reports. [Bookkeeper] also balanced the bank statements and assisted with the budget in excess of 2.5 million dollars annually and also the quarterly reports to the State. During my illness and absence from the office on FMLA [bookkeeper] was the only employee with the knowledge and also the only one willing to take on the extra job responsibilities saving me thousands of dollars in disallowed disbursements. None of the other deputies had any knowledge of the Administrative duties in the Clerk's office.*