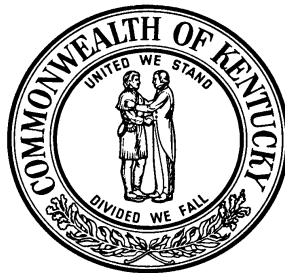


**REPORT OF THE AUDIT OF THE  
FORMER SHELBY COUNTY  
CLERK**

**For The Year Ended  
December 31, 2022**



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

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

Independent Auditor's Report

The Honorable Dan Ison, Shelby County Judge/Executive  
The Honorable Sue Carole Perry, Former Shelby County Clerk  
The Honorable Tony Harover, Shelby County Clerk  
Members of the Shelby County Fiscal Court

**Report on the Audit of the Financial Statement**

**Opinions**

We have audited the accompanying Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the former County Clerk of Shelby County, Kentucky, for the year ended December 31, 2022, and the related notes to the financial statement.

*Unmodified Opinion on Regulatory Basis of Accounting*

In our opinion, the accompanying financial statement presents fairly, in all material respects, the receipts, disbursements, and excess fees of the former Shelby County Clerk for the year ended December 31, 2022, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

*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 section of our report, the financial statement does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the former Shelby County Clerk, as of December 31, 2022, or changes in financial position or cash flows thereof for the year then ended.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Audit Program for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the former Shelby County Clerk and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



The Honorable Dan Ison, Shelby County Judge/Executive  
The Honorable Sue Carole Perry, Former Shelby County Clerk  
The Honorable Tony Harover, Shelby County Clerk  
Members of the Shelby County Fiscal Court

### **Basis for Opinion (Continued)**

#### *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 Shelby 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 and budget laws, 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 and pervasive.

### **Responsibilities of Management 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 Responsibilities for the Audit of the Financial Statement**

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit 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 former Shelby County Clerk's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the former Shelby County Clerk's ability to continue as a going concern for a reasonable period of time.

The Honorable Dan Ison, Shelby County Judge/Executive  
The Honorable Sue Carole Perry, Former Shelby County Clerk  
The Honorable Tony Harover, Shelby County Clerk  
Members of the Shelby County Fiscal Court

**Auditor's Responsibilities for the Audit of the Financial Statement (Continued)**

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we have identified during the audit.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2023, on our consideration of the former Shelby 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Shelby 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 findings:

- 2022-001 The Former Shelby County Clerk Did Not Have Adequate Segregation Of Duties Over Receipts, Disbursements, And Reconciliations
- 2022-002 The Former Shelby County Clerk Did Not Have Segregation Of Duties Over Payroll Processing

Respectfully submitted,



Farrah Petter, CPA  
Assistant Auditor of Public Accounts  
Frankfort, KY

August 29, 2023

SHELBY COUNTY  
SUE CAROLE PERRY, FORMER COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2022

Receipts

State Fees For Services	\$	20,642	
Fiscal Court			12,706
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	1,660,743	
Usage Tax		6,917,158	
Tangible Personal Property Tax		7,421,681	
Notary Fees		19,384	
Lien Releases		33,366	
Miscellaneous		4,007	
Other-			
Marriage Licenses		12,120	
Deed Transfer Tax		556,928	
Delinquent Tax		643,854	
Delinquent Tax Deposits		<u>747,725</u>	18,016,966
Fees Collected for Services:			
Recordings-			
Deeds, Easements and Contracts		68,817	
Bail Bonds		94	
Real Estate Mortgages		197,932	
Chattel Mortgages and Financing Statements		107,094	
Powers of Attorney		6,679	
Affordable Housing Trust		57,030	
All Other Recordings		14,683	
Wills, Estate Settlements		5,625	
Fixture Filing		4,558	
Leases		427	
Liens & Lis Pendens		10,471	
Releases		84,880	
Storage Fees		99,070	
Charges for Other Services-			
Candidate Filing Fees		1,700	
Copywork		3,062	
Postage		15,500	
Convenience Fee		<u>35,504</u>	713,126

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



SHELBY COUNTY  
 SUE CAROLE PERRY, FORMER COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2022  
 (Continued)

Receipts (Continued)

Other:

Web Renewals	\$	29	
Refunds		<u>48,962</u>	\$ 48,991
Interest Earned			<u>21,630</u>
Total Receipts			18,834,061

Disbursements

Payments to State:

Motor Vehicle-			
Licenses and Transfers	\$ 1,208,149		
Usage Tax	6,695,744		
Tangible Personal Property Tax	2,716,313		
Licenses, Taxes, and Fees-			
Delinquent Tax	84,912		
Legal Process Tax	41,505		
Affordable Housing Trust	<u>57,030</u>	10,803,653	
Payments to Fiscal Court:			
Tangible Personal Property Tax	837,095		
Delinquent Tax	37,883		
Deed Transfer Tax	529,082		
Storage Fees	<u>43,690</u>	1,447,750	
Payments to Other Districts:			
Tangible Personal Property Tax	3,571,405		
Delinquent Tax	<u>329,199</u>	3,900,604	
Payments to Sheriff		53,185	
Payments to County Attorney		89,812	
Other Regulatory Payments:			
Delinquent Tax Deposit Refunds	747,725		
Other Refunds	<u>64,340</u>	812,065	

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

SHELBY COUNTY  
 SUE CAROLE PERRY, FORMER COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2022  
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay:

Personnel Services-			
Deputies' Salaries	\$	507,506	
Employee Benefits-			
Employer's Share Social Security		47,258	
Employer's Share Retirement		168,396	
Employer's Paid Health Insurance		104,095	
Contracted Services-			
Office Equipment		4,514	
Preparation of Property tax bills		8,650	
Employee Training Programs		150	
Miscellaneous Election Expenses		52,619	
New Equipment		20,664	
Supplies and Materials-			
Office Supplies		7,712	
Other Charges-			
Dues & Memberships		6,626	
Postage		15,180	
Convenience Fees		36,480	
Miscellaneous		6,360	
Capital Outlay-			
Lease Payments - Technology (Software/Hardware)		80,605	
Lease Payments - Office Equipment (Postage Meter)		2,073	\$ 1,068,888
			<u>                    </u>
Total Disbursements			<u>\$ 18,175,957</u>
Net Receipts			658,104
Less: Statutory Maximum			<u>119,085</u>
Excess Fees			539,019
Less: Expense Allowance		3,600	
Training Incentive Benefit		4,679	<u>8,279</u>
Excess Fees Due County for 2022			530,740
Payment to Fiscal Court - February 22, 2023			<u>536,524</u>
Balance Due From Fiscal Court at Completion of Audit*			<u>\$ (5,784)</u>

\* - Negative balance is due to the overpayment of excess fees to the fiscal court in the amount of \$5,784.

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

SHELBY COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2022

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 pay to the governing body of the county any fees, commissions, and other income of his or her office, including income from investments, which exceed the sum of his or her maximum salary as permitted by the Constitution and other reasonable expenses, including compensation of deputies and assistants by March 15 of each year. KRS 64.830 requires an outgoing clerk to make a final settlement with the fiscal court by March 15 immediately following the expiration of his or her term of office.

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) as of December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2022 services
- Reimbursements for 2022 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2022

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).

SHELBY COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2022  
(Continued)

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 Kentucky Public Pensions Authority (KPPA). 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.

The county clerk's contribution for calendar year 2020 was \$143,019, calendar year 2021 was \$148,338, and calendar year 2022 was \$168,396.

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 CERS 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 CERS 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 26.95 percent for the first six months and 26.79 percent for the last six months.

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:

SHELBY COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2022  
 (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)

<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, they 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.

Benefits are covered under KRS 78.5536.

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

Once members reach a minimum vesting period of 15 years, they 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 78.5536. 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.

SHELBY COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2022  
 (Continued)

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

Other Post-Employment Benefits (OPEB) (Continued)

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.

Kentucky Retirement Systems Annual Financial Report and Proportionate Share Audit Report

Kentucky Retirement Systems 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.

Kentucky Retirement Systems 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 former Shelby 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 former Shelby County Clerk did 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, 2022, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

SHELBY COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2022  
 (Continued)

Note 4. Lease Agreements

The Shelby County Clerk's office was committed to the following lease agreements as of December 31, 2022:

Item Purchased	Monthly Payment	Term Of Agreement	Ending Date	Principal Balance December 31, 2022
Software	\$ 3,002	60 Months	7/31/2025	\$ 93,062
Hardware	3,732	60 Months	7/31/2025	114,648
Postage Meter	173	63 Months	12/17/2026	8,307
Totals	\$ 6,907			\$ 216,017

Note 5. Fiduciary Account - Escrow Account

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

2020	\$788
2021	\$439

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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**

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

The Honorable Dan Ison, Shelby County Judge/Executive  
The Honorable Sue Carole Perry, Former Shelby County Clerk  
The Honorable Tony Harover, Shelby County Clerk  
Members of the Shelby County Fiscal Court

We have audited, 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 Program for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky, the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the former Shelby County Clerk for the year ended December 31, 2022, and the related notes to the financial statement and have issued our report thereon dated August 29, 2023. The former Shelby 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.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the former Shelby 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 former Shelby County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the former Shelby County Clerk's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control 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 certain deficiencies in internal control that we consider to be material weaknesses.

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 deficiencies described in the accompanying Schedule of Findings and Responses as items 2022-001 and 2022-002 to be material weaknesses.



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)

**Report on Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the former Shelby 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*.

**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,

A handwritten signature in blue ink that reads "Farrah Petter". The signature is written in a cursive style with a large initial "F".

Farrah Petter, CPA  
Assistant Auditor of Public Accounts  
Frankfort, KY

August 29, 2023

## SCHEDULE OF FINDINGS AND RESPONSES

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SHELBY COUNTY  
SUE CAROLE PERRY, FORMER COUNTY CLERK  
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2022

INTERNAL CONTROL - MATERIAL WEAKNESSES:

2022-001 The Former Shelby County Clerk Did Not Have Adequate Segregation Of Duties Over Receipts, Disbursements, And Reconciliations

---

This is a repeat finding and was included in the prior year audit report as finding 2021-001. The county clerk's office did not have adequate segregation of duties over the accounting and reporting functions of the clerk's office. The bookkeeper's responsibilities included receiving cash, preparing daily deposits, preparing checks, signing checks on occasion, posting to receipts and disbursements ledgers, preparing monthly bank reconciliations, and also comparing the weekly, monthly and quarterly reports to the ledgers.

The former county clerk indicated the office did not have enough funds to hire additional personnel to segregate duties. The former county clerk did not have segregation of duties over accounting functions included as part of the office internal control policies and procedures.

A lack of segregation of duties over financial functions increases the risk that misstatements due to undetected errors or theft could occur. A lack of adequate segregation of duties could result in undetected misappropriation of assets and inaccurate financial reporting. Good internal controls dictate the same employee should not handle, record, and reconcile receipts. Further, the same employee should not be responsible for preparing, recording, and reconciling disbursements. The segregation of duties over various accounting functions such as opening mail, preparing deposits, recording receipts and disbursements, preparing monthly reports, and reconciling bank accounts is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. If this is not feasible due to budgetary constraints, cross checking procedures or compensating controls could be implemented and documented by the individual performing the review procedure.

We recommend the county clerk's office separate the duties involved in receiving cash, preparing deposits, writing checks, posting to ledgers, preparing monthly bank reconciliations and comparing financial reports to ledgers. If this is not feasible, cross-checking procedures should be implemented and documented by the individual performing the review procedure. This individual should not be involved in performing the accounting functions they reviewed.

*Former County Clerk's Response: The former official did not provide a response.*

2022-002 The Former Shelby County Clerk Did Not Have Segregation Of Duties Over Payroll Processing

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This is a repeat finding and was included in the prior year audit report as finding 2021-002. The former county clerk did not have segregation of duties over payroll processing. The former county clerk performed all payroll related duties, with the exception that she paid retirement and health insurance for her and her employees to the fiscal court, and the county treasurer paid those agencies accordingly for the former county clerk and her staff. The former county clerk prepared payroll in the software program each pay period, including payroll checks which were automatically deposited to her and her employees' bank accounts, payroll tax reports and payments, and payments to vendors for optional insurance her employees have (i.e., life and dental, etc.), recorded payments in the disbursements ledger, and reconciled the payroll transactions in the bank account statements.

During our testing of payroll, the following issues were noted:

- Timesheets for employees for the second pay period in October were not signed by a supervisor.
- Timesheet for one employee was missing for the second pay period in October.

SHELBY COUNTY  
SUE CAROLE PERRY, FORMER COUNTY CLERK  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended December 31, 2022  
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES: (Continued)

2022-002 The Former Shelby County Clerk Did Not Have Segregation Of Duties Over Payroll Processing  
(Continued)

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The former county clerk indicated the office did not have enough funds to hire additional personnel to segregate duties and the former county clerk did not have segregation of duties over payroll functions included in the office internal controls policies and procedures.

A lack of segregation of duties over financial functions increases the risk that misstatements due to undetected errors or theft could occur. A lack of adequate segregation of duties could result in undetected misappropriation of assets and inaccurate financial reporting.

Good internal controls dictate the same employee should not prepare payroll each pay period, prepare payroll checks and payments of taxes and withholdings to respective agencies, record payroll disbursements in the ledger, and reconcile the payroll disbursements to the bank statement. Each timesheet should be signed by the employee and their supervisor. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. If this is not feasible, cross checking procedures or compensating controls could be implemented and documented by the individual performing the review procedure.

We recommend the county clerk's office separate the duties involved in preparing payroll each pay period, including payroll checks and payments of taxes and withholdings to respective agencies, recording payroll disbursements in the ledger, and reconciling the payroll transactions to the bank statement. If this is not feasible, cross-checking procedures should be implemented and documented by the individual performing the review procedure. This individual should not be involved in performing the accounting functions they reviewed. We also recommend the county clerk's office maintain timesheets for all employees for every pay period. The timesheets should be reviewed and signed by the county clerk or employee supervisor.

*Former County Clerk's Response: The former official did not provide a response.*