

**REPORT OF THE AUDIT OF THE
TAYLOR COUNTY
CLERK**

**For The Year Ended
December 31, 2018**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Barry T. Smith, Taylor County Judge/Executive
The Honorable Mark Carney, Taylor County Clerk
Members of the Taylor County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the County Clerk of Taylor County, Kentucky, for the year ended December 31, 2018, 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 Barry T. Smith, Taylor County Judge/Executive
The Honorable Mark Carney, Taylor County Clerk
Members of the Taylor 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 Taylor County Clerk on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Taylor County Clerk, as of December 31, 2018, 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 Taylor County Clerk for the year ended December 31, 2018, 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 October 17, 2019, on our consideration of the Taylor 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 Taylor County Clerk's internal control over financial reporting and compliance.

The Honorable Barry T. Smith, Taylor County Judge/Executive
The Honorable Mark Carney, Taylor County Clerk
Members of the Taylor 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:

- 2018-001 The Taylor County Clerk's Office Lacks Adequate Segregation Of Duties
- 2018-002 The Taylor County Clerk Did Not Deposit Funds Intact Daily
- 2018-003 The Taylor County Clerk Did Not Adhere To The Fiscal Court's *Personnel Policies And Procedure Handbook* Or Implement His Own Written Policy
- 2018-004 The Taylor County Clerk Did Not Require Third-Party Purchasers To Make Deposits And Payments In Accordance With 103 KAR 5:180
- 2018-005 The Taylor County Clerk Did Not Have Adequate Controls Over Payroll

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

October 17, 2019

TAYLOR COUNTY
 MARK CARNEY, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2018

Receipts

State Grants		\$ 12,525
State Fees For Services		8,297
Fiscal Court		33,623
Licenses and Taxes:		
Motor Vehicle-		
Licenses and Transfers	\$ 918,066	
Usage Tax	2,922,438	
Tangible Personal Property Tax	2,195,064	
Notary Fees	13,672	
Disabled Cards	1,040	
Other-		
Marriage Licenses	6,461	
Deed Transfer Tax	74,082	
Delinquent Tax	<u>235,442</u>	6,366,265
Fees Collected for Services:		
Recordings-		
Deeds, Easements, and Contracts	14,346	
Real Estate Mortgages	33,144	
Chattel Mortgages and Financing Statements	66,606	
Powers of Attorney	3,460	
Affordable Housing Trust	24,132	
All Other Recordings	27,680	
Charges for Other Services-		
Candidate Filing Fees	1,650	
Copy Work	<u>4,731</u>	175,749
Interest Earned		<u>2,909</u>
Total Receipts		6,599,368

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

TAYLOR COUNTY
 MARK CARNEY, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2018
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 639,047

Usage Tax 2,834,737

Tangible Personal Property Tax 783,560

Licenses, Taxes, and Fees-

Delinquent Tax 26,283

Legal Process Tax 22,746

Affordable Housing Trust 24,132

Miscellaneous 784 \$ 4,331,289

Payments to Fiscal Court:

Tangible Personal Property Tax 138,329

Delinquent Tax 18,082

Deed Transfer Tax 70,282 226,693

Payments to Other Districts:

Tangible Personal Property Tax 1,185,374

Delinquent Tax 132,328 1,317,702

Payments to Sheriff

7,671

Payments to County Attorney

31,151

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries 258,496

Part-Time Salaries 9,455

Overtime 1,600

Employee Benefits-

Employer's Share Social Security 28,059

Employer's Paid Health Insurance 80,120

Contracted Services-

Fish and Game 7,940

Printing and Binding 4,471

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

TAYLOR COUNTY
 MARK CARNEY, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2018
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Materials and Supplies-			
Office Supplies	\$	9,766	
Other Charges-			
Conventions and Travel		1,624	
Dues		1,080	
Refunds		190	
Miscellaneous		89	
Credit/ Debit Card Charges		17,367	
Libraries & Archives Grant		<u>12,525</u>	\$ 432,782
Capital Outlay-			
Office Equipment		<u>1,305</u>	
Total Disbursements			<u>\$ 6,348,593</u>
Net Receipts			250,775
Less: Statutory Maximum			<u>93,080</u>
Excess Fees			157,695
Less: Expense Allowance		3,600	
Training Incentive Benefit		<u>4,137</u>	<u>7,737</u>
Excess Fees Due County for 2018			149,958
Payment to Fiscal Court - March 12, 2019			<u>133,000</u>
Balance Due Fiscal Court at Completion of Audit			<u>\$ 16,958</u>

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

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2018

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the county clerk as determined by the audit. KRS 64.152 requires the county clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This basis demonstrates compliance with the laws of Kentucky and is a special purpose framework. Under this regulatory basis of accounting, receipts and disbursements are generally recognized when cash is received or disbursed, with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2018 services
- Reimbursements for 2018 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2018

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the county treasurer in the subsequent year.

C. Cash and Investments

KRS 66.480 authorizes the county clerk's office to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

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

The clerk's office has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

TAYLOR COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2018
 (Continued)

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

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent of their salary to be allocated as follows: five percent will go to the member's account and one percent will go to the KRS insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute five percent of their annual creditable compensation. Nonhazardous members also contribute one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the KRS Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008, must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

The county's contribution rate for nonhazardous employees was 19.18 percent for the first half of the year and 21.48 percent for the second half of the year.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

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%

TAYLOR COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2018
 (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)

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.

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

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

Once members reach a minimum vesting period of 15 years, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5 percent. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

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

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

C. Cost of Living Adjustments - Tier 1

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

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

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

E. Death Benefit

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

TAYLOR COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018
(Continued)

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

KRS Annual Financial Report and Proportionate Share Audit Report

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

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

Note 3. Deposits

The Taylor 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 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, 2018, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Grant

The Taylor County Clerk's office received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$12,525 during calendar year 2018. All grant funds were expended during the year. The unexpended grant balance was \$0 as of December 31, 2018.

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 Barry T. Smith, Taylor County Judge/Executive
The Honorable Mark Carney, Taylor County Clerk
Members of the Taylor 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 Taylor County Clerk for the year ended December 31, 2018, and the related notes to the financial statement and have issued our report thereon dated October 17, 2019. The Taylor 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 Taylor 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 Taylor County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Taylor 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 certain deficiencies in internal control that we consider to be material weaknesses 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 deficiencies described in the accompanying Schedule of Findings and Responses as items 2018-001, 2018-002, 2018-003, and 2018-004 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)

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 2018-005 to be a significant deficiency.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Taylor 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 2018-002, 2018-003, and 2018-004.

Views of Responsible Official and Planned Corrective Action

The Taylor 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 Taylor 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

October 17, 2019

SCHEDULE OF FINDINGS AND RESPONSES

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TAYLOR COUNTY
MARK CARNEY, COUNTY CLERK
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2018

FINANCIAL STATEMENT FINDINGS:

2018-001 The Taylor County Clerk's Office Lacks Adequate Segregation Of Duties

This is a repeat finding and was included in the prior year audit report as finding 2017-001. The deputy who prepares the daily checkout sheet also collects money, prepares the daily deposit, and posts to the ledger. The county clerk also performs these duties. Another deputy and the county clerk jointly prepare the quarterly financial reports. The county clerk prepares, signs, and posts all disbursements. The county clerk performs bank reconciliations the majority of the time with no one reviewing.

The condition is a result of a limited budget, which restricts the number of employees the county clerk can hire or delegate duties to. Adequate segregation of duties would prevent the same person from having a significant role in the receiving and disbursing of funds, recording and reporting of those receipts and disbursements. In addition, compensating controls would not be effective over duties performed by the county clerk. A lack of segregation of duties increases the county clerk's risk of misappropriation of assets, errors and inaccurate financial reporting.

Segregation of duties over receipts, disbursements, and the reconciliation process or implementation of compensating controls, when needed because the number of staff is limited, is essential for providing protection to employees in the normal course of performing their duties and can also prevent inaccurate financial reporting or misappropriation of assets.

We recommend the county clerk strengthen internal controls by segregating these duties. If segregation is not possible, due to a limited number of staff, strong oversight should be implemented. The employee providing this oversight should document his or her review by initialing all source documentation.

County Clerk's Response: See response from previous audit.

2018-002 The Taylor County Clerk Did Not Deposit Funds Intact Daily

This is a repeat finding and was included in the prior year audit report as finding 2017-003. The Taylor County Clerk did not deposit all funds collected intact daily. The county clerk's daily checkout sheets show each day's cash on hand is different. In addition, the county clerk leaves the daily cash receipts overnight in the office and makes the deposit the next day. This would normally be acceptable; however, the cash drawers are housed in a wooden cabinet in a locked room.

This deficiency is allowed to occur because it is the county clerk's policy to only deposit cash bills, leave all change for startup cash, and to keep the cash drawers in the locked room overnight. As a result of not depositing funds intact daily, the county clerk is not in compliance with guidelines set forth by the state local finance officer. Also, if a fire were to occur due to electrical wiring in the locked room, the wooden cabinet would be destroyed, along with all monies contained within.

The Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* recommends the minimum requirements for handling public funds pursuant to KRS 68.210. The manual requires there to be "daily deposits intact into a federally insured banking institution". The practice of making daily deposits reduces the risk of misappropriation of cash, which is the asset most subject to possible theft. Additionally, when deposits are not made timely, the risk that the bank account can be overdrawn is increased.

TAYLOR COUNTY
 MARK CARNEY, COUNTY CLERK
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2018
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-002 The Taylor County Clerk Did Not Deposit Funds Intact Daily (Continued)

We recommend the county clerk make daily deposits intact and leave a set amount in each of the cash drawers as startup monies each day. We also recommend the county clerk either take the daily deposit to the bank overnight for safekeeping or house in a fire proof safe in his office until the deposit can be made the next morning.

County Clerk's Response: See response from previous audit.

2018-003 The Taylor County Clerk Did Not Adhere To The Fiscal Court's Personnel Policies And Procedure Handbook Or Implement His Own Written Policy

This is a repeat finding and was included in the prior year audit report as finding 2017-004. The Taylor County Clerk did not adhere to the Taylor County Fiscal Court's *Personnel Policies and Procedures Handbook* or implement his own written policy. The county clerk's office employees were granted vacation leave according to fiscal court's policy; however, sick leave balances were not in accordance with fiscal court's policy.

Per the county clerk, he allows each employee to receive 12 sick/personal leave days per year, which complies with fiscal court's policy. He only allows his employees to carry a maximum total of 30 days (240 hours) over into the next year. He also allows each employee to bank a maximum of six unused days (48 hours) for the year. Bank days can only be used in case of surgery, illness, or retirement. Any unused hours in excess of six bank days and hours that should be carried to the next year are lost.

Since the county clerk is not following fiscal court's policy, his employees are not receiving the full benefits of being a county employee.

Taylor County Fiscal Court's *Personnel Policies and Procedure Handbook* states, "Employees hired prior to 7/1/11 may carry forward 968 hours of accumulated sick leave for retirement through Kentucky Retirement Systems. These hours will be used to extend the employees retirement date, wages and benefits from Taylor County Fiscal Court. At time of retirement any additional hours accumulated above the 968 will be forfeited."

We recommend the county clerk adhere to the Taylor County Fiscal Court's *Personnel Policies and Procedure Handbook* or implement his own written policy.

County Clerk's Response: See response from previous audit.

2018-004 The Taylor County Clerk Did Not Require Third-Party Purchasers To Make Deposits And Payments In Accordance With 103 KAR 5:180

This is a repeat finding and was included in the prior year audit report as finding 2017-006. The Taylor County Clerk did not require purchasers to make deposits at the time of registration as required by 103 KAR 5:180 for priority tax bills and current tax bills.

The county clerk stated he has some third party purchasers that may send a check, but not end up purchasing the bills, so he feels it is better to give them the check back instead of depositing the check and refunding it. Failure to collect deposits can result in the county clerk not being able to cover any additional costs and expenses associated with any purchaser who fails to make full payment at the time of the tax sale.

TAYLOR COUNTY
 MARK CARNEY, COUNTY CLERK
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2018
 (Continued)

FINCINAL STATEMENT FINDINGS: (Continued)

2018-004 The Taylor County Clerk Did Not Require Third-Party Purchasers To Make Deposits And Payments In Accordance With 103 KAR 5:180 (Continued)

103 KAR 5:180 requires third party purchasers make a deposit with county clerk for tax bills they wish to purchase at the tax sale. Purchasers are required to provide a deposit of 100% of tax bills listed on the purchaser's priority tax bill list and deposit 25% of the list of tax bills that the purchaser wishes to purchase at tax sale. Additionally, 103 KAR 5:180 requires purchasers to pay a registration fee of \$5 for each priority tax bill and \$10 for each current tax bill included on their list of tax bills they wish to purchase with the total registration fee not to exceed \$250. The deposits made by the third party purchasers should be deposited to an official bank account when received. The deposits should be applied to the payment of the tax bills the purchaser purchases at the tax sale date and any balances refunded to the third party purchasers. The registration fee paid by the third party purchasers should be deposited to the fee account when received.

We recommend the county clerk require third party purchasers make deposits for tax bills they wish to purchase as required by 103 KAR 5:180.

County Clerk's Response: You can review notes from previous audit. We did start requiring the 3rd party to make 25% deposit in 2019 for the 2018 tax sale.

2018-005 The Taylor County Clerk Did Not Have Adequate Controls Over Payroll

This is a repeat finding and was included in the prior year audit report as finding 2017-005. The Taylor County Clerk required full time deputies to maintain timesheets; however, the hours did not always reflect the actual hours worked by the employees for pay period tested.

- The county clerk allows deputies who work four hours on Saturday to have an eight hour day off during the same week and pays the employee double time for Saturday.
- The county only had employees write Election Day on their time sheets for the Election Day instead of their actual hours work and then paid full time employees a \$200 election bonus for working Election Day plus for a regular 8 hours.

These deficiencies occurred due to the county clerk not having a written policy stating his office hours and work schedule and by not adhering to the Taylor County Fiscal Court's *Personnel Policies and Procedures Handbook*. As a result of inaccurate timesheets, employees could be paid for more or less hours than actually worked especially if overtime is worked during elections.

Good internal controls dictate timesheets should be reviewed for accuracy by immediate supervisor and recalculated by someone other than the preparer after employees sign timesheets documenting hours worked. KRS 337.320(1)(b) states, "[e]very employer shall keep a record of: ...The hours worked each day and each week by each employee[.]" Also, the Taylor County Fiscal Court's *Personnel Policies and Procedures Handbook* requires, "employees should accurately record the time they begin their work and end their work".

According to the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* under the section labeled "Handling Public Funds, Minimum Requirements Pursuant To KRS 68.210, For All Local Government Officials (And Employees)", bonuses, prepayment for goods or services, and any other contributions are not an appropriate expense of the government.

TAYLOR COUNTY
MARK CARNEY, COUNTY CLERK
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2018
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-005 The Taylor County Clerk Did Not Have Adequate Controls Over Payroll (Continued)

We recommend the following:

- All employees should prepare and sign a timesheet each pay period indicating the actual hours worked and any sick or vacation leave taken.
- The county clerk should adhere to fiscal court's policy or implement his own written policy including his office hours and work schedule.
- The county clerk not pay bonuses to employees.

County Clerk's Response: Will adjust the way Election Day pay is handled beginning with the 2019 general election.