

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

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



**MIKE HARMON  
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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, 2020, and the related notes to the financial statement.

**Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



The Honorable 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, 2020, or changes in financial position or cash flows thereof for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the Taylor County Clerk for the year ended December 31, 2020, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2021, 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:

- 2020-001 The Taylor County Clerk's Office Does Not Have Adequate Segregation Of Duties
- 2020-002 The Taylor County Clerk Did Not Deposit Funds Intact Daily
- 2020-003 The Taylor County Clerk Did Not Require Third-Party Purchaser's To Make Deposits And Payments In Accordance With 103 KAR 5:180
- 2020-004 The Taylor County Clerk Did Not Have Adequate Controls Over Payroll
- 2020-005 The Taylor County Clerk Did Not Follow Proper Bid Laws And Regulations

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

July 29, 2021

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

For The Year Ended December 31, 2020

Receipts

State Grant		\$ 5,450
State Fees For Services:		
Preparing and Printing Tax Bills	\$ 5,116	
Election Commission and Fee for Registering Voters	<u>7,047</u>	12,163
Fiscal Court:		
Part-time Election Labor	1,790	
Employer's Share of FICA	<u>29,935</u>	31,725
Licenses and Taxes:		
Motor Vehicle-		
Licenses and Transfers	957,026	
Usage Tax	3,576,740	
Tangible Personal Property Tax	2,260,674	
Lien Fees	9,543	
Disabled Placards	4,130	
Other-		
Marriage Licenses	7,450	
Deed Transfer Tax	92,828	
Delinquent Tax	<u>378,411</u>	7,286,802
Fees Collected for Services:		
Recordings-		
Deeds, Easements, and Contracts	43,896	
Real Estate Mortgages	94,607	
Chattel Mortgages and Financing Statements	66,533	
Powers of Attorney	6,024	
Affordable Housing Trust	27,468	
All Other Recordings	102,796	
Charges for Other Services-		
Candidate Filing Fees	790	
Copy Work	10,367	
Delinquent Tax Sale Registration Fees	<u>4,220</u>	356,701

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, 2020  
 (Continued)

Receipts (Continued)

Other:

Return Checks	\$ 2,571	
Miscellaneous	<u>950</u>	\$ 3,521
Interest Earned		<u>2,064</u>
Total Receipts		7,698,426

Disbursements

Payments to State:

Motor Vehicle-		
Licenses and Transfers	\$ 611,992	
Usage Tax	3,469,537	
Tangible Personal Property Tax	822,604	
Boat Registration Fees	52,990	
Disabled Placards	3,304	
Licenses, Taxes, and Fees-		
Delinquent Tax	37,589	
Legal Process Tax	22,863	
Affordable Housing Trust	<u>27,468</u>	5,048,347
Payments to Fiscal Court:		
Tangible Personal Property Tax	141,152	
Delinquent Tax	27,132	
Deed Transfer Tax	<u>88,215</u>	256,499
Payments to Other Districts:		
Tangible Personal Property Tax	1,206,657	
Delinquent Tax	<u>204,768</u>	1,411,425
Payments to Sheriff		33,529
Payments to County Attorney		47,065
Tax Bill Preparation		4,449

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, 2020  
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay:

Personnel Services-			
Deputies' Salaries	\$	272,738	
Part-Time Salaries		12,230	
Overtime		3,200	
Employee Benefits-			
Employer's Share Social Security		29,935	
Employer's Paid Health Insurance		80,310	
Contracted Services-			
Computer Services		32,825	
Records Room Indexing and Scanning		94,646	
Materials and Supplies-			
Office Supplies		14,301	
Other Charges-			
Conventions and Travel		35	
Dues		1,380	
Credit/Debit Card Charges		20,649	
Miscellaneous Refunds and Return Checks		3,043	
Cash Drawers Repaid 2018 Fee Account		1,029	
Capital Outlay-			
Office Equipment		5,670	
Office Fixtures - KDLA Grant Expenditure		5,450	\$ 577,441
			<u>                    </u>
Total Disbursements			<u>\$ 7,378,755</u>
Net Receipts			319,671
Less: Statutory Maximum			<u>97,027</u>
Excess Fees			222,644
Less: Expense Allowance		3,600	
Training Incentive Benefit		4,313	<u>7,913</u>
Excess Fees Due County for 2020			214,731
Payment to Fiscal Court - March 10, 2021			<u>214,000</u>
Balance Due Fiscal Court at Completion of Audit			<u>\$ 731</u>

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

TAYLOR COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2020

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

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

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

B. Basis of Accounting

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

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

- Interest receivable
- Collection on accounts due from others for 2020 services
- Reimbursements for 2020 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2020

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

C. Cash and Investments

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

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

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

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

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

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

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

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

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

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

<b>Years of Service</b>	<b>% Paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

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

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

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

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

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

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

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

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

C. Cost of Living Adjustments - Tier 1

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

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

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

E. Death Benefit

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

KRS Annual Financial Report and Proportionate Share Audit Report

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

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

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

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

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

Note 3. Deposits

The Taylor County Clerk maintained deposits of public funds with federally insured banking institutions as required by 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.

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 Taylor County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of DLG *County Budget Preparation and State local Finance Officer Policy Manual*. As of December 31, 2020, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of December 31, 2020, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the county clerk's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured                \$8,741

Note 4. State Grant

The Taylor County Clerk's office received a local records grant from the Kentucky Department for Libraries and Archives in the amount of \$5,450. All grant funds were expended during the year. The unexpended grant balance was \$0 as of December 31, 2020.

Note 5. Custodial Account - Lien Release Account

The Taylor County Clerk's office maintained a lien release account as required by KRS 376.100, which is used to account for monies held by the county clerk's office pending court adjudication. This account is custodial in nature. This account was established on May 24, 2019. During calendar year 2020, this account had a beginning balance of \$4,500, there were no receipts and there were disbursements of \$4,500, leaving a balance of \$0 as of December 31, 2020.

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, 2020, and the related notes to the financial statement and have issued our report thereon dated July 29, 2021. 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) 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 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 2020-001, 2020-002, 2020-003, and 2020-004 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 2020-005 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 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 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 2020-002, 2020-003, and 2020-004.

**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

July 29, 2021

## 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, 2020

FINANCIAL STATEMENT FINDINGS:

2020-001 The Taylor County Clerk's Office Does Not Have Adequate Segregation Of Duties

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This is a repeat finding and was included in the prior year audit report as finding 2019-001. 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. No reviews of any records, ledgers, or reports were documented.

The lack of segregation of duties occurred because the county clerk failed to segregate incompatible duties. The county clerk states that he cannot hire additional employees to allow segregation of duties due to budget limitations. The limited number of employees restricts how the county clerk can delegate duties. This deficiency increases the risk of misappropriation of assets, errors and inaccurate financial reporting.

Adequate segregation of duties over receipts, disbursements, and the reconciliation process would prevent the same person from having a significant role in these incompatible functions. The county clerk can implement oversight when duties cannot be segregated.

We recommend the county clerk segregate duties over receipts, disbursements, and reconciliations. If segregation of duties is not feasible due to lack of staff, we recommend the county clerk implement and document strong oversight over incompatible functions. The person providing this oversight should document his or her review by initialing all source documentation.

*County Clerk's Response: Responded to in previous audits.*

2020-002 The Taylor County Clerk Did Not Deposit Funds Intact Daily

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This is a repeat finding and was included in the prior year audit report as finding 2019-002. This finding has been included in the audit report since calendar year 2008. 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. This deficiency is allowed to occur because it is the county clerk's policy to only deposit larger cash bills and checks, leave all change and smaller cash bills for startup cash.

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 and increases the risk of possible theft. For the week tested, the following was noted:

- Receipts of \$166 were not deposited on February 3, 2020.
- Receipts of \$58 were not deposited on February 4, 2020.
- Receipts of \$190 were not deposited on February 5, 2020.
- Receipts of \$74 were not deposited on February 6, 2020.
- Additional receipts of \$282 were deposited on February 7, 2020.
- Additional receipts of \$73 were deposited on February 8, 2020.

TAYLOR COUNTY  
 MARK CARNEY, COUNTY CLERK  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2020  
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-002 The Taylor County Clerk Did Not Deposit Funds Intact Daily (Continued)

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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 "daily deposits intact into a federally insured banking institution". Good internal controls dictate 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.

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.

*County Clerk's Response: Responded to in previous audits.*

2020-003 The Taylor County Clerk Did Not Require Third-Party Purchaser's To Make Deposits And Payments In Accordance With 103 KAR 5:180

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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 followed the tax sale registration and deposit process as required in 2019 and felt the extra steps of requiring deposits then refunding large unused portions negatively affected the tax sale. The county clerk stated he made a management decision in 2020 to only require purchasers to pay registration fees, but he did not collect any deposits.

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. Establishing procedures contrary to established regulations places the county clerk in noncompliance with the relevant laws.

KRS 134.128(2)(g) requires the Department of Revenue to "[e]stablish advance deposit requirements for registered participants based upon the maximum amount the registered participant may pay for desired certificates of delinquency[.]" Consequently, 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. 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: Responded to in previous audits.*

TAYLOR COUNTY  
 MARK CARNEY, COUNTY CLERK  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2020  
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-004 The Taylor County Clerk Did Not Have Adequate Controls Over Payroll

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This is a repeat finding and was included in the prior year audit report as finding 2019-004. 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. Additionally, the Taylor County Clerk's controls over payroll allowed employees to carry forward unused personal leave to subsequent years contrary to fiscal court policies.

- Full time employees' individual earnings records and pay check stubs show they received bonus payments indicated as "Election Bonus" above their established salaries.
- Full time employees did not record hours worked on their timesheets the day of the general election. They were paid their regular pay rate on the eight hours and also received \$100 listed on paycheck as "Election Bonus" for working the day of the general election. Time sheets for this pay period did not record complete and accurate record of hours worked, and could not support full pay or overtime due employees. Overtime was not calculated for this pay period.
- During pay periods tested, the county clerk paid two employees in advance of end of the pay periods during calendar year 2020. Employees were paid seven and 15 days in advance.
- The clerk allowed personal leave hours to be carried forward to subsequent years, contradicting fiscal court's policy of personal leave expiring annually.

These deficiencies occurred due to the county clerk not having a written policy stating his office hours and work schedule. Also these deficiencies occurred due to the county clerk not adhering to the Taylor County Fiscal Court's *Personnel Policies and Procedures Handbook* and state statutes. 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. Employees are granted leave benefits superior to other county employees as a result of personal leave carried forward to subsequent years.

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) states, in part "[e]very employer shall keep a record of: ... (b) The hours worked each day and each week by each employee[.]" KRS 337.285(1) requires employers to pay employees for hours worked in excess of forty hours in a work week at a rate of not less than one and one-half (1-1/2) times the hourly wage rate at which he is employed. In addition, the Taylor County Fiscal Court's *Personnel Policies and Procedures Handbook* requires, "employees should accurately record the time they begin and end their work" and non-exempt employees to "be paid at the rate of one and one-half their regular hourly rate of pay for all time worked in excess of 40 hours in any one workweek."

The Taylor County Fiscal Court's *Personnel Policies and Procedures Handbook* states, "Personal leave is not carried forward from year to year." The policies do not contain a leave banking system such as the county clerk has implemented for sick leave, but instead state that "[A] regular full-time employee will receive 48 hours of sick leave per year after their one year anniversary date" with no limitation on leave balance accrual limit.

KRS 45.340 states, in part, "[c]hecks shall be tendered to an officer or an employee only after he has completed the work for which he is being paid and not later than fifteen (15) days after the designated pay period..." In addition, 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 states "[n]o bonuses, no prepayment for goods or services, and no contributions. (Section 3, Kentucky Constitution)"

TAYLOR COUNTY  
 MARK CARNEY, COUNTY CLERK  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2020  
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-004 The Taylor County Clerk Did Not Have Adequate Controls Over Payroll (Continued)

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We recommend the following:

- All employees should prepare and sign a timesheet each 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 should not pay bonuses to employees.
- The county clerk should not pay employees before end of pay period.
- The county clerk should separately account for the accrual, use, and available balances of leave types.

*County Clerk's Response: Clerk feels as though payroll for the office does have adequate controls. Clerk provides yearly benefit statements to the employees. Employees do get to use all "days" they have accumulated by taking a certain number of days off each year or by banking days.*

2020-005 The Taylor County Clerk Did Not Follow Proper Bid Laws And Regulations

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The Taylor County Clerk did not properly bid a scanning and indexing service contract totaling \$94,646. Sufficient internal controls were not in place over the bidding process to ensure services were not purchased from vendors without first advertising or receiving bids on all contracts required to be bid. The services provided under the contract fail to meet the criteria of professional services exempted from bid requirements. According to the county clerk, when the expense was approved with his amended budget by fiscal court, he did not know he needed to bid this service contract.

By limiting competition or not receiving bids at all, the county clerk may not get the benefits of the best price available. Competitive bidding ensures the clerk procures equipment and services at the best price available.

KRS 424.260(1) states, "[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for materials, supplies except perishable meat, fish, and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than thirty thousand dollars (\$30,000) without first making newspaper advertisement for bids."

According to the fiscal court's administrative code, chapter 8.2-C, "Any expenditure or contract for materials, supplies (except perishable meat, fish, and vegetables), equipment, or for contractual services other than professional, involving an expenditure of more than Thirty Thousand Dollars (\$30,000) shall be subject to competitive bidding. Except State Bid Pricing." Section 8.2-D instructs the official to "open all bids publicly at the time and place stated in the advertisements and shall select the lowest and/or best bid by qualified bidder. If the lowest bid is not selected, the reasons for the selection shall be stated in writing."

KRS 45A.380 defines professional services as those provide by a "a licensed professional, such as attorney, physician, psychiatrist, psychologist, certified public accountant, registered nurse, or educational specialist; a technician such as a plumber, electrician, carpenter, or mechanic; or an artist such as a sculptor, aesthetic painter, or musician."



TAYLOR COUNTY  
MARK CARNEY, COUNTY CLERK  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended December 31, 2020  
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-005 The Taylor County Clerk Did Not Follow Proper Bid Laws And Regulations (Continued)

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We recommend the county clerk comply with KRS 424.260 and the county administrative code by advertising for bids for purchases and services exceeding \$30,000 and by documenting selection of a winning bidder for each project or contract.

*County Clerk's Response: No response.*