

**REPORT OF THE AUDIT OF THE  
WOODFORD COUNTY  
CLERK**

**For The Year Ended  
December 31, 2015**



**MIKE HARMON  
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**EXECUTIVE SUMMARY**  
**AUDIT OF THE**  
**WOODFORD COUNTY CLERK**

**For The Year Ended**  
**December 31, 2015**

The Auditor of Public Accounts has completed the Woodford County Clerk's audit for the year ended December 31, 2015. Based upon the audit work performed, the financial statement presents fairly in all material respects, the receipts, disbursements, and excess fees in conformity with the regulatory basis of accounting.

**Financial Condition:**

Excess fees increased by \$30,042 from the prior year, resulting in excess fees of \$612,992 as of December 31, 2015. Receipts increased by \$369,940 from the prior year and disbursements increased by \$339,898.

**Lease Obligations:**

Lease principal agreements totaled \$24,869 as of December 31, 2015. Future principal and interest payments of \$24,869 are needed to meet these obligations.

**Report Comments:**

- 2015-001 The County Clerk's Financial Statements Had Misstatements And Ineffective Reconciliation Procedures
- 2015-002 Controls Over Receipts, Disbursements, And Reconciliations Are Not Adequately Segregated

**Deposits:**

The county clerk's deposits were insured and collateralized by bank securities.



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

The Honorable John Coyle, Woodford County Judge/Executive  
The Honorable Sandra Jones, Woodford County Clerk  
Members of the Woodford 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 Woodford County, Kentucky, for the year ended December 31, 2015, 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 as described in Note 1. 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 John Coyle, Woodford County Judge/Executive  
The Honorable Sandra Jones, Woodford County Clerk  
Members of the Woodford 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 Woodford County Clerk on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Woodford County Clerk, as of December 31, 2015, 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 Woodford County Clerk for the year ended December 31, 2015, 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 June 30, 2016, on our consideration of the Woodford County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.



The Honorable John Coyle, Woodford County Judge/Executive  
The Honorable Sandra Jones, Woodford County Clerk  
Members of the Woodford County Fiscal Court

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

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

- 2015-001 The County Clerk's Financial Statements Had Misstatements And Ineffective Reconciliation Procedures
- 2015-002 Controls Over Receipts, Disbursements, And Reconciliations Are Not Adequately Segregated

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

June 30, 2016

WOODFORD COUNTY  
SANDRA JONES, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2015

Receipts

State Grants	\$	53,637	
State Fees For Services		3,234	
Fiscal Court		88,380	
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	812,669	
Usage Tax		2,239,422	
Tangible Personal Property Tax		2,418,540	
Notary Fees		7,682	
Other-			
Fish and Game Licenses		5,256	
Marriage Licenses		5,858	
Deed Transfer Tax		135,326	
Delinquent Tax		486,295	6,111,048
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		12,183	
Real Estate Mortgages		21,835	
Chattel Mortgages and Financing Statements		54,111	
Powers of Attorney		2,786	
Affordable Housing Trust		26,388	
All Other Recordings		62,501	
Charges for Other Services-			
Copywork		10,695	
Postage		1,851	192,350
Other:			
Miscellaneous			5,275
Interest Earned		97	
Total Receipts			6,454,021

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

WOODFORD COUNTY  
 SANDRA JONES, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2015  
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 570,940	
Usage Tax	2,172,313	
Tangible Personal Property Tax	958,090	

Licenses, Taxes, and Fees-

Fish and Game Licenses	5,067	
Delinquent Tax	51,016	
Legal Process Tax	21,641	
Affordable Housing Trust	26,388	
Miscellaneous	186	\$ 3,805,641

Payments to Fiscal Court:

Tangible Personal Property Tax	174,704	
Delinquent Tax	26,315	
Deed Transfer Tax	128,612	329,631

Payments to Other Districts:

Tangible Personal Property Tax	1,176,396	
Delinquent Tax	281,990	1,458,386

Payments to Sheriff

38,117

Payments to County Attorney

56,710

Operating Disbursements:

Other Charges-

Libraries and Archives Grant	53,637	
Miscellaneous	14,525	68,162

Total Disbursements

\$ 5,756,647

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

WOODFORD COUNTY  
 SANDRA JONES, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2015  
 (Continued)

Net Receipts		\$ 697,374
Less: Statutory Maximum		<u>79,797</u>
Excess Fees		617,577
Less: Expense Allowance	\$ 985	
Training Incentive Benefit	<u>3,600</u>	<u>4,585</u>
Excess Fees Due County for 2015		612,992
Payments to Fiscal Court - Monthly		<u>646,087</u>
Balance Due From Fiscal Court at Completion of Audit (See Note 7)		<u><u>\$ (33,095)</u></u>

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

WOODFORD COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2015

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

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

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

B. Basis of Accounting

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

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

- Interest receivable
- Collection on accounts due from others for 2015 services
- Reimbursements for 2015 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2015

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 the following, including but not limited to, 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).

WOODFORD COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2015  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Fee Pooling

The Woodford County Clerk's office is required by the fiscal court to participate in a fee pooling system. Fee officials who are required to participate in fee pooling deposit all funds collected into their official operating account. The county clerk is responsible for paying all amounts collected for others and applicable refunds to customers. Residual funds are then paid to the county treasurer on a monthly basis. Invoices are submitted to the county treasurer to document operating expenses. The fiscal court pays all operating expenses for the fee official.

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

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 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.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 17.67 percent for the first six months and 17.06 percent for the last six months.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2014, 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. Members contribute five percent (nonhazardous) of their annual creditable compensation and one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent (nonhazardous) 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.

WOODFORD COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2015  
 (Continued)

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

CERS also provides post-retirement health care coverage as follows:

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

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

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

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Woodford 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 Woodford 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, 2015, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

WOODFORD COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2015  
 (Continued)

Note 4. Grant

The Woodford County Clerk's office received a local records imaging grant from the Kentucky Department for Libraries and Archives in the amount of \$53,637. Funds totaling \$53,637 were expended during the year. The unexpended grant balance was \$0 as of December 31, 2015.

Note 5. Lease Agreement

The Woodford County Clerk's office was committed to the following lease agreements as of December 31, 2015:

<u>Item Purchased</u>	<u>Monthly Payment</u>	<u>Term Of Agreement</u>	<u>Ending Date</u>	<u>Principal Balance December 31, 2015</u>
Copier	\$ 544	45 months	December 2018	\$ 19,599
Postage Meter	146	46 months	December 2018	5,270

Note 6. On Behalf Payments

The Woodford County Clerk's office is required by the fiscal court to participate in a fee pooling system. Since the Woodford County Clerk is fee pooling, the Woodford County Fiscal Court pays the Woodford County Clerk's statutory maximum as reflected on the Woodford County Clerk's financial statement. For the year ended December 31, 2015, the Woodford County Fiscal Court's contributions recognized by the Woodford County Clerk included the amounts that were based on the statutory maximum as required by KRS 64.5275. The Woodford County Clerk recognized receipts from fiscal court and disbursements for the statutory maximum of \$84,382 for the year ended December 31, 2015.

Note 7. Excess Fees Due

The Woodford County Clerk overpaid excess fees to the Woodford County Fiscal Court in 2015. The Woodford County Fiscal Court owes the clerk \$33,095 as of December 31, 2015.

Note 8. Outstanding Checks Held In Escrow

The county clerk had outstanding checks that required deposit in an escrow account. The clerk's escrowed amounts were as follows:

2015 \$154

KRS 393.090 states that after three years, if the funds have not been claimed, they are presumed abandoned. Abandoned funds are required to be sent to the Kentucky State Treasurer pursuant to KRS 393.110.



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*





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

The Honorable John Coyle, Woodford County Judge/Executive  
The Honorable Sandra Jones, Woodford County Clerk  
Members of the Woodford 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 Woodford County Clerk for the year ended December 31, 2015, and the related notes to the financial statement and have issued our report thereon dated June 30, 2016. The Woodford 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 Woodford 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 Woodford County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Woodford 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 over financial reporting 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 comments and recommendations, 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 comments and recommendations as items 2015-001 and 2015-002 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)

### **Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Woodford County Clerk's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying comments and recommendations as item 2015-001.

### **County Clerk's Responses to Findings**

The Woodford County Clerk's responses to the findings identified in our audit are described in the accompanying comments and recommendations. The Woodford 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

June 30, 2016

COMMENTS AND RECOMMENDATIONS



WOODFORD COUNTY  
SANDRA JONES, COUNTY CLERK  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2015

FINANCIAL STATEMENT FINDINGS:

2015-001 The County Clerk's Financial Statements Had Misstatements And Ineffective Reconciliation Procedures

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During our audit, we found the following bookkeeping issues:

- Not all disbursements had been posted to the disbursements ledger, creating a material difference in what was reported on the financial statement.
- Ledgers were not reconciled to the bank statement. What was being used as a reconciliation was a recapitulation of transactions posted to the bank statement, but did not reconcile activity posted to ledgers.
- Receipt amounts posted to the financial statement were inconsistently treated. Receipt line items for various filing fees were not handled the same each quarter, making agreement between the ledger and the fourth quarter financial statement impossible.
- The fourth quarter financial statement turned in to the fiscal court and the Department for Local Government had mathematical errors causing a material misstatement.

The majority of the issues were caused by errors in bookkeeping and a lack of oversight of the financial statement. The issue related to reconciliations was a failure to recognize that the procedures implemented were not effectively reconciling the ledgers to the bank statement. The failure to post all transactions to the ledgers and properly reconcile resulted in an overpayment of excess fees to the fiscal court in the amount of \$33,095. Mathematical errors resulted in inaccurate financial reporting for the county clerk's office.

KRS 68.210 requires the State Local Finance officer to create a system of uniform accounts for all counties and county officials. The *County Budget Preparation and State Local Finance Officer Policy Manual* outlines minimum requirements for handling of public funds, including reconciliations of ledgers to the bank statements. Good internal controls dictate that all transactions should be posted to the ledgers to produce an accurate representation of the financial activity. Further, line items on ledgers should be given the same treatment each time a financial statement is produced in order to give a clear representation of the year's finances. Further, all financial reports should be checked for mathematical accuracy.

It is recommended that the county clerk improve procedures over financial reporting to ensure transactions are properly recorded, ledgers are reconciled, and financial reports are mathematically accurate.

*County Clerk's Response: The errors in bookkeeping were the result of there not being a bookkeeping program previously implemented in the Woodford County Clerk's Office. The funds awarded from a grant from the Kentucky Department of Library and Archives were used partly for bookkeeping programs that will ensure these types of errors will not be repeated. Absolutely none of the errors that were listed as bookkeeping issues would have materialized if a software program was being used like the majority of county clerks use throughout the state. It is now recognized and understood that the reconciliation method that was used during 2015 did not adequately achieve the correct reconciliations of ledgers to bank statements. Further, in addition to the bookkeeping software program being used and the guidelines that are stated in the County Budget Preparation and State Local Finance Office Policy Manual are being followed, these errors will be eliminated.*

WOODFORD COUNTY  
SANDRA JONES, COUNTY CLERK  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2015  
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-002 Controls Over Receipts, Disbursements, And Reconciliations Are Not Adequately Segregated

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The controls over receipts and reconciliations are not adequately segregated. The bookkeeper receives funds from customers, works in a cash drawer, reconciles the cash drawer, prepares the deposit, posts to ledgers, and reconciles to the bank.

Good internal controls dictate the same employee should not handle, record, and reconcile receipts and disbursements due to the risk of undetected misstatements from error or fraud. The county clerk's office has a limited number of employees, making it difficult to adequately segregate duties. Failure to adequately segregate duties could lead to financial misstatement, mishandling of funds, or fraud.

We recommended the county clerk strengthen internal controls by segregating duties to separate individuals. If that is not possible due to a limited number of staff, the county clerk could mitigate the risk associated with inadequate segregation of duties by implementing compensating controls:

- The county clerk could periodically compare daily bank deposits to the daily cash settlement sheet, then compare the cash settlement sheet to the receipts ledger. Any differences noted should be investigated and reconciled.
- The county clerk could document this by initialing the bank deposit receipt and the daily cash settlement sheet.
- The county clerk could periodically prepare the monthly summary financial report and monthly bank reconciliation.

*County Clerk's Response: Internal controls will be strengthened by performing random unannounced cash drawer counts on each deputy. These cash drawer counts will be clearly documented to reflect the date each deputy's cash drawer was counted.*

*The compensating controls that will rectify inadequate segregation of duties include: (1) clerk to make comparison of the daily bank deposits to the daily cash settlement sheet and initial both the bank deposit receipt and the daily cash settlement sheet; and (2) clerk to compare the cash settlement sheet to the receipts ledger, note any differences, and reconcile whatever difference that may be found.*

*The county clerk currently prepares the monthly summary financial report and monthly bank reconciliation jointly with the bookkeeper/deputy clerk.*



