

**REPORT OF THE AUDIT OF THE  
CARLISLE COUNTY  
CLERK**

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



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://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 Greg Terry, Carlisle County Judge/Executive  
The Honorable Becky Martin, Carlisle County Clerk  
Members of the Carlisle 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 Carlisle 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 Greg Terry, Carlisle County Judge/Executive  
 The Honorable Becky Martin, Carlisle County Clerk  
 Members of the Carlisle 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 Carlisle 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 Carlisle 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 Carlisle 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 June 25, 2021, on our consideration of the Carlisle 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 Carlisle County Clerk's internal control over financial reporting and compliance.

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

- 2020-001 The Carlisle County Clerk Failed To Reconcile The Fourth Quarter Financial Report To Bank Records
- 2020-002 Payroll Expenses For Calendar Year 2020 Were Not Adequately Supported
- 2020-003 The Carlisle County Clerk Overspent The Approved Budget

Respectfully submitted,



Mike Harmon  
 Auditor of Public Accounts

June 25, 2021

CARLISLE COUNTY  
BECKY MARTIN, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2020

Receipts

Federal Grants		\$ 24,287	
State Revenue Supplement			68,059
State Fees For Services			26
Fiscal Court			10,776
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$ 262,794		
Usage Tax	597,283		
Tangible Personal Property Tax	626,400		
Notary Fees	631		
Other-			
Fish and Game Licenses	3,210		
Marriage Licenses	1,160		
Lien Fees	1,828		
Deed Transfer Tax	21,876		
Delinquent Tax	48,310		
			1,563,492
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts	10,054		
Real Estate Mortgages	16,502		
Chattel Mortgages and Financing Statements	14,850		
Powers of Attorney	600		
Affordable Housing Trust	5,112		
All Other Recordings	11,775		
Charges for Other Services-			
Candidate Filing Fees	240		
Copy Work	487		
Postage	1,751		
Storage Fees	5,303		
			66,674
Other:			
Miscellaneous	2,105		
Overpayments	518		
			2,623

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

CARLISLE COUNTY  
 BECKY MARTIN, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2020  
 (Continued)

Receipts (Continued)

Interest Earned	\$ 180
Total Receipts	1,736,117

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 208,738	
Usage Tax	577,568	
Tangible Personal Property Tax	255,311	

Licenses, Taxes, and Fees-

Fish and Game Licenses	3,196	
Delinquent Tax	4,106	
Legal Process Tax	4,807	
Affordable Housing Trust	<u>5,112</u>	\$ 1,058,838

Payments to Fiscal Court:

Tangible Personal Property Tax	56,211	
Delinquent Tax	7,207	
Deed Transfer Tax	20,480	
Miscellaneous	<u>6,000</u>	89,898

Payments to Other Districts:

Tangible Personal Property Tax	291,877	
Delinquent Tax	<u>22,715</u>	314,592

Payments to Sheriff 3,598

Payments to County Attorney 6,405

Tax Bill Preparation 1,155

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	56,723	
Part-Time Salaries	8,819	

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



CARLISLE COUNTY  
 BECKY MARTIN, 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: (Continued)

Contracted Services-		
Advertising	\$ 3,311	
Printing and Binding	25	
Bookkeeping	12,000	
Materials and Supplies-		
Office Supplies	4,008	
Software Support	9,000	
Telephone	3,153	
Other Charges-		
Conventions and Travel	580	
Dues	720	
Postage	2,990	
Bank Charges	137	
Miscellaneous	4,615	
Overpayments	<u>3,534</u>	\$ 109,615
Capital Outlay-		
Office Equipment		<u>6,100</u>
Total Disbursements		<u>\$ 1,590,201</u>
Net Receipts		145,916
Less: Statutory Maximum		<u>73,312</u>
Excess Fees		72,604
Less: Expense Allowance		<u>3,600</u>
Excess Fees Due County for 2020		69,004
Payment to Fiscal Court - March 15, 2021		<u>68,539</u>
Balance Due Fiscal Court at Completion of Audit*		<u>\$ 465</u>

\* - The county clerk presented a check to the fiscal court in the amount of \$924 on May 20, 2021.  
 The county clerk overpaid excess fees by \$459.

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

CARLISLE 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.

CARLISLE 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%

CARLISLE 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)

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.

CARLISLE 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

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 Carlisle County Clerk maintained deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The DLG Manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the county clerk's deposits may not be returned. The Carlisle County Clerk does not have a deposit policy for custodial credit risk, but rather follows the requirements of the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of December 31, 2020, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Federal Grant - State Board of Elections

The Carlisle County Clerk's office received a federal CARES grant of \$24,287 through the state to help defray the cost of the 2020 elections due to the special circumstances created by the corona virus.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

The Honorable Greg Terry, Carlisle County Judge/Executive  
The Honorable Becky Martin, Carlisle County Clerk  
Members of the Carlisle 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 Carlisle County Clerk for the year ended December 31, 2020, and the related notes to the financial statement and have issued our report thereon dated June 25, 2021. The Carlisle 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 Carlisle 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 Carlisle County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Carlisle 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 and 2020-002 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)

**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 2020-003 to be a significant deficiency.

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Carlisle 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2020-002.

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

The Carlisle 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 Carlisle 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 25, 2021

## SCHEDULE OF FINDINGS AND RESPONSES

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CARLISLE COUNTY  
BECKY MARTIN, COUNTY CLERK  
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2020

FINANCIAL STATEMENT FINDINGS:

2020-001 The Carlisle County Clerk Failed To Reconcile The Fourth Quarter Financial Report To Bank Records

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The Carlisle County Clerk's fourth quarter financial report was not complete and accurate. Receipts reported on the fourth quarter financial report were understated by \$24,392. Three of the five daily checkout sheets tested during February 2020 were not posted to the county clerk's receipts ledger. Receipts for these three days total \$19,286. Several canceled checks and ACH payments were not posted to the ledger. Disbursements reported on the fourth quarter financial report were understated by \$30,504. The county clerk has not implemented any internal control procedures to ensure amounts being recorded are reconciled to the bank. As a result of not reconciling the books to the bank, the county clerk's fourth quarter financial report was understated and did not reflect an accurate financial accounting of the county clerk's office as reported to the Department for Local Government, fiscal court, and other administrative bodies.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* requires officials to perform monthly bank reconciliations to ensure accurate financial reporting. Also, monthly bank reconciliations are essential in providing protection from errors not being detected and corrected.

We recommend the Carlisle County Clerk implement internal controls over the accounting process to ensure that accurate receipts and disbursements ledgers are reconciled to the bank and agree to amounts reported on the fourth quarter financial report.

*County Clerk's Response: We will try to improve our efforts at reconciliation of bank statements by multiple parties checking the numbers and will achieve this by monthly meetings between clerk and the bookkeeper.*

2020-002 Payroll Expenses For Calendar Year 2020 Were Not Adequately Supported

---

The county clerk's payroll expenses for the calendar year were not adequately supported. Half of the employees tested did not maintain timesheets and no timesheets were approved by a supervisor. Based on test procedures, timesheets are not used to prepare payroll reports and seem to only be maintained to keep track of any overtime hours worked. If an employee works overtime during a pay period, they are compensated the first pay period of the following month. The county clerk's payroll reports are prepared by the county treasurer at the beginning of each month. These reports are based on each employee working their normal work schedule unless overtime was worked in the previous month. The county clerk distributes payroll on a bi-monthly basis by dividing the amount reported on the payroll register by two. The county clerk did not comply with state regulations resulting in ineffective internal controls over payroll which increases the risk of misappropriation or fraud related to payroll expenses.

According to 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[.] Strong internal controls dictate that procedures be in place to ensure that employees are properly compensated based on actual hours worked.

We recommend the county clerk require all employee to maintain a timesheet, all timesheets be approved, and reported prior to processing payroll reports.

*County Clerk's Response: This was not a normal year and as a result, we had additional funds given to my office as a result of COVID to offset additional help required to conduct an election and we do not think we will have this particular problem in the future.*

CARLISLE COUNTY  
BECKY MARTIN, COUNTY CLERK  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended December 31, 2020  
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-002 Payroll Expenses For Calendar Year 2020 Were Not Adequately Supported (Continued)

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Auditor's Reply: Timesheets were not maintained by all employees, approved by immediate supervisor or being submitted for payroll processing. This issue is not related to the situation caused by COVID.

2020-003 The Carlisle County Clerk Overspent The Approved Budget

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The Carlisle County Clerk's operating expenditures exceeded the budget approved by the Carlisle County Fiscal Court. The Carlisle County Fiscal Court approved the county clerk's budget for official expenses at \$99,450; however, the county clerk expended \$115,714. According to the county clerk, the budget was overspent due to receiving and expending CARES money from the State Board of Elections. An amended budget was approved by fiscal court in February 2021. Because the county clerk overspent the approved budget, the fiscal court received less in excess fees than expected.

The state local finance officer requires the fiscal court to approve a calendar year budget for each fee office as a component of the county's budget preparation process by January 15 of each year. KRS 68.210 states that the administration of the county uniform budget system shall be under the supervision of the state local finance officer who may inspect and shall supervise the administration of accounts and financial operations and shall prescribe a system of uniform accounts for all counties and county officials.

We recommend the Carlisle County Clerk monitor the budget throughout the year and request budget amendments as necessary from the fiscal court, before year end.

*County Clerk's Response: Better bookkeeping and record keeping should correct this problem and hopefully moving forward we will make improvement.*