

**REPORT OF THE AUDIT OF THE  
GREEN COUNTY  
CLERK**

**For The Year Ended  
December 31, 2016**



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

The Honorable John H. Frank, Green County Judge/Executive  
The Honorable Billy Joe Lowe, Green County Clerk  
Members of the Green 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 Green County, Kentucky, for the year ended December 31, 2016, 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 John H. Frank, Green County Judge/Executive  
The Honorable Billy Joe Lowe, Green County Clerk  
Members of the Green 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 Green 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 Green County Clerk, as of December 31, 2016, 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 Green County Clerk for the year ended December 31, 2016, 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 September 8, 2017, on our consideration of the Green 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 entity's internal control over financial reporting and compliance.

The Honorable John H. Frank, Green County Judge/Executive  
The Honorable Billy Joe Lowe, Green County Clerk  
Members of the Green 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:

- 2016-001 The Green County Clerk's Office Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, And Reconciliations
- 2016-002 The Green County Clerk Lacks Adequate Internal Controls Over Payroll Information Processed By A Service Organization
- 2016-003 The Green County Clerk Did Not Maintain Proper Internal Controls Over Payroll

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon  
Auditor of Public Accounts

September 8, 2017

GREEN COUNTY  
 BILLY JOE LOWE, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2016

Receipts

State Revenue Supplement	\$	65,777
State Fees For Services		3,175
Fiscal Court		3,739
Licenses and Taxes:		
Motor Vehicle-		
Licenses and Transfers	\$	368,075
Usage Tax		402,243
Tangible Personal Property Tax		835,745
Notary Fees		1,190
Lien Release Fees		6,598
Miscellaneous Income		1,788
Other-		
Marriage Licenses		2,627
Deed Transfer Tax		25,148
Delinquent Tax		119,018
		1,762,432
Fees Collected for Services:		
Recordings-		
Deeds, Easements, and Contracts		7,506
Real Estate Mortgages		14,389
Chattel Mortgages and Financing Statements		36,395
Powers of Attorney		1,435
Affordable Housing Trust		10,026
All Other Recordings		7,195
Charges for Other Services-		
Candidate Filing Fees		680
Copywork		457
Postage		435
		78,518
Other:		
Refunds/Overpayments		244
Interest Earned		351
Total Receipts		1,914,236

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



GREEN COUNTY  
 BILLY JOE LOWE, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2016  
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 262,003

Usage Tax 390,182

Tangible Personal Property Tax 295,604

Licenses, Taxes, and Fees-

Delinquent Tax 10,558

Legal Process Tax 11,251

Affordable Housing Trust 10,026 \$ 979,624

Payments to Fiscal Court:

Tangible Personal Property Tax 76,061

Delinquent Tax 9,205

Deed Transfer Tax 23,891 109,157

Payments to Other Districts:

Tangible Personal Property Tax 430,888

Delinquent Tax 64,365 495,253

Payments to Sheriff

10,140

Payments to County Attorney

14,210

Tax Bill Preparation

3,077

Operating Disbursements:

Personnel Services-

Deputies' Salaries 101,341

Employee Benefits-

Employer's Share Social Security 13,951

Contracted Services-

Payroll Preparation 7,110

Software Maintenance 14,400

Materials and Supplies-

Office Supplies 5,596

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

GREEN COUNTY  
 BILLY JOE LOWE, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2016  
 (Continued)

Operating Disbursements: (Continued)

Other Charges-		
Conventions and Travel	\$	2,016
Dues		175
Postage		2,870
Refunds		585
Telephone/Cable/Internet		3,232
Uncollected Returned Checks		1,443
Bank Charges		60
		<u>\$ 152,779</u>
Total Disbursements		<u>\$ 1,764,240</u>
Net Receipts		149,996
Less: Statutory Maximum		<u>83,356</u>
Excess Fees		66,640
Less: Expense Allowance		3,600
Training Incentive Benefit		<u>3,969</u>
		<u>7,569</u>
Excess Fees Due County for 2016		59,071
Payment to Fiscal Court - February 2, 2017		<u>59,071</u>
Balance Due Fiscal Court at Completion of Audit		<u>\$ 0</u>

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

GREEN COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2016

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 2016 services
- Reimbursements for 2016 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2016

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 county official and employees have 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.

GREEN COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2016  
 (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 the plan. The county's contribution rate for nonhazardous employees was 17.06 percent for the first six months and 18.68 percent for the last six months.

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 members contribute five percent 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 nonhazardous 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.

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.

GREEN COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2016  
(Continued)

Note 3. Deposits

The Green 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 Green 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, 2016, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Grant

The Green County Clerk's office received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$7,625. No funds were expended during the year leaving an unexpended grant balance of \$7,625 as of December 31, 2016.

Note 5. Related Party Transaction

The Green County Clerk owns and operates a vending machine in the Green County Courthouse. Profits from the vending machine are retained by the county clerk personally.

Note 6. Lease Agreements

The Green County Clerk's office was committed to the following lease agreements as of December 31, 2016:

Item Purchased	Monthly Payment	Term Of Agreement	Ending Date	Principal Balance December 31, 2016
Computer Software	\$ 990	60 Months	October 31, 2019	\$ 33,660
Computer Software	210	58 Months	October 31, 2019	7,140
Total				<u>\$ 40,800</u>

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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 John H. Frank, Green County Judge/Executive  
The Honorable Billy Joe Lowe, Green County Clerk  
Members of the Green 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 Green County Clerk for the year ended December 31, 2016, and the related notes to the financial statement and have issued our report thereon dated September 8, 2017. The Green 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 Green 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 Green County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Green 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.

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 2016-001, 2016-002, and 2016-003 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 Green 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 Schedule of Findings and Responses as item 2016-003.

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

The Green County Clerk's views and planned corrective action to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Green 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

September 8, 2017

SCHEDULE OF FINDINGS AND RESPONSES

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GREEN COUNTY  
BILLY JOE LOWE, COUNTY CLERK  
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2016

FINANCIAL STATEMENT FINDINGS:

2016-001 The Green County Clerk's Office Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, And Reconciliations

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This is a repeat finding and was included in the prior year audit report as finding 2015-001. The Green County Clerk's office lacks adequate segregation of duties over receipts, disbursements, and reconciliations. The county clerk prepares the daily deposit, prepares and signs checks, and posts to the receipts and disbursements ledger. The county clerk also prepares all weekly, monthly, and quarterly reports and bank reconciliations. According to the county clerk, the condition is a result of a limited budget, which restricts the number of employees the county clerk can hire or delegate duties to. A lack of segregation of duties increases the county clerk's risk of misappropriation of assets, errors and inaccurate financial reporting. Segregation of duties over receipts, disbursements, and the reconciliation process or implementation of compensating controls, when needed because the number of staff is limited, is essential for providing protection to employees in the normal course of performing their duties and can also prevent inaccurate financial reporting and misappropriation of assets. We recommend the county clerk strengthen internal controls by segregating these duties. If this is not feasible due to lack of staff, then strong oversight should be implemented. The employee providing this oversight should document his or her review by initialing all source documentation.

*County Clerk's Response: Lack of STAFF*

2016-002 The Green County Clerk Lacks Adequate Internal Controls Over Payroll Information Processed By A Service Organization

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The county clerk uses a Certified Public Accountant (CPA) to process all payroll transactions. The CPA firm is considered to be a service organization. At the end of each payroll period, the CPA receives from the county clerk the necessary information to process payroll including the clerk's salary information, hours for each employee to be paid, hourly rates, and a listing of required and authorized withholdings. The CPA processes this information and generates a payroll report, which the county clerk relies upon to pay himself and his employees. The CPA also prepares all monthly and quarterly withholding reports which the county clerk relies upon to pay state, city, and federal withholding amounts due; maintains individual earning records; and prepares W-2 forms for the county clerk and his employees. If an error occurs, the county clerk relies on the CPA to determine what caused the error and tell him how to fix it.

The county clerk relies on his CPA payroll service organization who prepares individual earnings records and sends the county clerk payroll reports for each pay period. The county clerk did not review these reports and used them to prepare payroll checks for himself and his employees. As a result, there were numerous discrepancies between employee timesheets and CPA prepared individual earnings records in relation to holidays and vacation/sick leave used. See finding 2016-003.

Without adequate controls in place to ensure all information processed by the CPA payroll service organization is accurate, there is a risk that payroll disbursements could be misstated or fraud relating to payroll could occur. We recommend the county clerk implement internal controls over all information processed by the CPA to ensure all payroll calculations are accurate. This could be documented on payroll reports.

*County Clerk's Response: The county clerk did not provide a response.*

GREEN COUNTY  
 BILLY JOE LOWE, COUNTY CLERK  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2016  
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-003 The Green County Clerk Did Not Maintain Proper Internal Controls Over Payroll

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This is a repeat finding and was included in the prior year audit report as finding 2015-003. The county clerk did not maintain proper internal control over timesheets and leave balances and did not adhere to his office policy relating to leave time. The county clerk requires his employees to prepare timesheets and the county clerk reviews. The county clerk provides timesheets to his payroll service organization who prepares individual earnings records (IER) which tracks hours worked, holiday hours, overtime hours worked, vacation leave, and sick leave. The county clerk relied on reports he received from his payroll service organization without reviewing the reports.

As a result, the following problems were noted concerning timesheets and individual earnings reports:

- Timesheets were not properly signed by the employee. Employees make a copy of the calendar timesheet filled out for the previous pay period after it is signed and dated. They complete the calendar for the second pay period; however, they do not re-sign and date the timesheet.
- Four timesheets did not include enough details to support the sick leave, holidays, and hours worked on IERs.
- Holidays were not always noted on timesheets and were not noted on IERs at all.
- Four deputies received an extra paycheck on December 6, 2016. There were no timesheets to support these extra paychecks.
- Twenty-five timesheets were not signed by the county clerk to indicate his review and approval.
- Based upon timesheets, one employee was paid 16 hours more vacation leave than was earned. This occurred due to vacation leave noted on timesheets but noted as sick leave on IERs.
- Vacation and sick leave per timesheets did not always match IERs.
- One part time employee was overpaid by 16 hours and another employee was underpaid one hour in a pay period due to a miscalculation on timesheets.

KRS 337.320(1) requires that “[e]very employer shall keep a record of: (a) The amount paid each pay period of each employee; (b) The hours worked each day and each week by each employee; and (c) Such other information as the commissioner requires.”

Since excess fees of the county clerk’s office are ultimately paid to the fiscal court, this lack of maintaining proper documentation and lack of internal controls and monitoring of payroll increases the risk that the fiscal court could incur additional payroll liabilities. In addition, without accurate tracking of vacation and sick leave balances there is an increased risk that employees could be paid for leave not earned.

We recommend the county clerk strengthen internal controls over the payroll process to ensure timesheets are accurately prepared and signed by all employees for each pay period, are reviewed, approved, and signed by the county clerk or his designee to ensure compliance with KRS 337.320(1). We recommend that all vacation and sick leave balances be tracked and monitored by the county clerk to ensure that his employees do not use more leave than what is allowed per the county clerk’s office policy. We recommend the county clerk monitor his payroll service organization’s reports and compare them to timesheets each pay period to ensure they are accurate. We recommend the county clerk implement and add to his office policy of accumulating and using compensation time.

*County Clerk’s Response: The county clerk did not provide a response.*