

**REPORT OF THE AUDIT OF THE
JEFFERSON COUNTY
CLERK**

**For The Year Ended
December 31, 2017**



**MIKE HARMON
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Greg Fischer, Mayor, Louisville/Jefferson County Metro Government
The Honorable Bobbie Holsclaw, Jefferson County Clerk
Members of the Jefferson County Louisville Metro Council

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying Statement of Receipts and Disbursements - Regulatory Basis of the County Clerk of Jefferson County, Kentucky and the Statement of Receipts, Disbursements, and Fund Balances of the County Clerk's Operating Fund and County Fund with the State Treasurer - Regulatory Basis for the year ended December 31, 2017, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

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

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AN EQUAL OPPORTUNITY EMPLOYER M / F / D



The Honorable Greg Fischer, Mayor, Louisville/Jefferson County Metro Government
The Honorable Bobbie Holsclaw, Jefferson County Clerk
Members of the Jefferson County Fiscal Court

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the financial statements are prepared by the Jefferson 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 statements 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 Opinions on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Jefferson County Clerk, as of December 31, 2017, 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 statements referred to above present fairly, in all material respects, the receipts and disbursements of the Jefferson County Clerk and the receipts, disbursements, and fund balances of the Jefferson County Clerk's operating fund and county fund with the state treasurer for the year ended December 31, 2017, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2018, on our consideration of the Jefferson 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 solely 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. This 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.

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

2017-001 The Jefferson County Clerk Is Charging A Fee And Using Public Equipment And Personnel To Provide Election Services To Private Agencies

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

October 22, 2018

JEFFERSON COUNTY
BOBBIE HOLSCLAW, COUNTY CLERK
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS

For The Year Ended December 31, 2017

Receipts

State Fees For Services		\$	203,931
Fiscal Court			1,414,041
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	21,147,881	
Usage Tax		79,904,994	
Tangible Personal Property Tax		72,433,268	
Notary Fees		442,683	
Other-			
Marriage Licenses		154,039	
Deed Transfer Tax		5,105,297	
Delinquent Tax		11,654,287	190,842,449
Fees Collected for Services:			
Recordings-			
Deeds, Easements and Contracts		278,040	
Real Estate Mortgages		366,804	
Chattel Mortgages and Financing Statements		1,467,527	
Powers of Attorney		40,884	
Affordable Housing Trust		1,014,936	
Bail Bonds		1,463	
Fee for Library and Archives		142,452	
Tax Liens		222,935	
Extra Pages		1,132,972	
Assignments		28,974	
Releases		344,604	
Probate		24,233	
Lien Holder Penalties		6,934	
Corporate and Business		35,174	
Shelter For Spouse Abuse		53,300	
All Other Recordings		19,386	

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY
BOBBIE HOLSCLAW, COUNTY CLERK
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS
For The Year Ended December 31, 2017
(Continued)

Receipts (Continued)

Charges for Other Services-		
Candidate Filing Fees	\$	1,950
Legal Records-Clerk Expense (Reimbursed)		354,003
Phone/Fax		3,993
Postage		221,586
Tracing		30,330
Photostat		13,460
Election Center Miscellaneous		5,984
Motor Vehicle Miscellaneous		381,623
Returned Check Fees		6,354
Library		2
Miscellaneous (Reimbursed)		14,504
		<u>6,214,407</u>
Interest Earned		<u>21,629</u>
Total Receipts		198,696,457

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	14,221,694
Usage Tax		77,506,327
Tangible Personal Property Tax		28,435,766

Licenses, Taxes, and Fees-

Delinquent Tax		1,016,032
Legal Process Tax		604,272
Affordable Housing Trust		1,014,936
		<u>122,799,027</u>

Payments to Fiscal Court:

Tangible Personal Property Tax		8,149,515
Delinquent Tax		2,142,118
Deed Transfer Tax		4,850,032
		<u>15,141,665</u>

Payments to Other Districts:

Tangible Personal Property Tax		32,950,656
Delinquent Tax		5,105,428
		<u>38,056,084</u>

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY
BOBBIE HOLSCLAW, COUNTY CLERK
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS
For The Year Ended December 31, 2017
(Continued)

Disbursements (Continued)

Payments to Sheriff	\$	865,296	
Payments to County Attorney			1,593,042
Other Disbursements:			
Bank Service Charges	\$	613,569	
Library		2	
Uncollected NSF Checks		<u>5,622</u>	<u>619,193</u>
Total Disbursements			\$ 179,074,307
Net Receipts			19,622,150
Payments to State Treasurer:			
75% Operating Fund *		15,390,428	
25% County Fund		<u>4,237,344</u>	<u>19,627,772</u>
Balance Due at Completion of Audit**			<u>\$ (5,622)</u>

* Includes reimbursed expenses in the amount of \$2,674,177 for the audit period.
See Note 1 of Notes to Financial Statements.

** See Note 11 of Notes to the Financial Statements

JEFFERSON COUNTY
BOBBIE HOLSCLAW, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2017

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2017 (Restated)*	\$ 2,105,444	\$	\$ 2,105,444
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	15,390,428		15,390,428
Fees Paid to State - County Funds (25%)		4,237,344	4,237,344
	17,495,872	4,237,344	21,733,216
<u>Disbursements</u>			
Louisville/Jefferson County Metro Government		4,237,344	4,237,344
Personnel Services-			
Official's Statutory Maximum	121,550		121,550
Official's Expense Allowance	3,600		3,600
Official's Training Incentive	4,191		4,191
Deputies' Salaries	8,789,632		8,789,632
Overtime Gross	10,200		10,200
Employee Benefits-			
Employer's Share Social Security	669,086		669,086
Employer's Share Retirement	1,687,536		1,687,536
Employer's Share Health Insurance	1,640,795		1,640,795
Workers' Compensation	47,333		47,333
Unemployment Insurance	31,401		31,401
Other Payroll Disbursements	6,143		6,143
Occupancy-			
Rent	77,760		77,760
Telephone	102,673		102,673
Gas/Electric	15,739		15,739
Mileage and Gasoline-Delivery	13,533		13,533
Maintenance and Repairs	261,944		261,944

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY
BOBBIE HOLSCLAW, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
For The Year Ended December 31, 2017
(Continued)

	75%	25%	
	Operating	County	Totals
	Fund	Fund	
	_____	_____	_____
<u>Disbursements (Continued)</u>			
Services-			
Personal Services	\$ 182,830	\$	\$ 182,830
Security Services	78,283		78,283
Janitorial Services	96,253		96,253
Printing	79,004		79,004
Advertising	62,611		62,611
Election Worker Payments	200		200
Supplies-			
Postage and Delivery	171,505		171,505
Office Expense	172,544		172,544
Minor Equipment-			
Rental Equipment	27,555		27,555
Travel and Entertainment-			
Meetings	5,303		5,303
Seminars	349		349
Tuition	2,848		2,848
Other Operating-			
Insurance and Bonds	77,103		77,103
Returned Check Expense	22,805		22,805
Notary Bonds	1,454		1,454
Membership Dues	19,365		19,365
Subscriptions	14,582		14,582

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY
BOBBIE HOLSCLAW, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
For The Year Ended December 31, 2017
(Continued)

Disbursements (Continued)

Capital Outlay-			
Office Equipment	\$	49,725	\$ 49,725
Computer Equipment		206,443	206,443
Computer Software		886	886
Furniture and Cabinets		2,861	2,861
Remodeling and Renovations		885,374	885,374
		<u>15,642,999</u>	<u>4,237,344</u>
Total Disbursements			<u>19,880,343</u>
Fund Balance - December 31, 2017	\$	<u>1,852,873</u>	\$ 0
			<u>\$ 1,852,873</u>

* See Note 12 to Notes to the Financial Statements

JEFFERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

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 due from the county clerk as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the state treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in the county clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

Also, fee official office revenues could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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:

- Interest receivable
- Collection on accounts due from others for 2017 services
- Reimbursements for 2017 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2017

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).

JEFFERSON COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2017
 (Continued)

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.

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. The county's contribution rate for nonhazardous employees was 18.68 percent for the first six months and 19.18 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 account. 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.

The county clerk's contribution for calendar year 2015 was \$1,516,951, calendar year 2016 was \$1,551,647, and calendar year 2017 was \$1,687,536.

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.

Health Insurance Coverage

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:

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

JEFFERSON COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2017
 (Continued)

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

KRS issues a publicly available 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 a proportionate share audit report that includes the total pension liability for CERS determined by actuarial valuation as well as each participating county's proportionate share. The Schedules of Employer Allocations and Pension Amounts by Employer report 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 Jefferson County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the county clerk's deposits may not be returned. The county clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of December 31, 2017, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Lease Agreements

The Jefferson County Clerk's office committed to the following lease agreements as of December 31, 2017:

Item Leased	Payment	Term Of Agreement	Ending Date	Principal Balance 12/31/17
Postage Meter	\$ 2,473	48 months	9/26/19	\$ 17,314
Copier	406	60 months	12/7/20	14,252
Total				<u>\$ 31,566</u>

JEFFERSON COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2017
 (Continued)

Note 5. Rental Agreements

The Jefferson County Clerk was party to several rental agreements for copiers during calendar year 2017. These agreements were on a month-to-month basis and could be terminated at any time.

Note 6. Going Out of Business Account

This account is used for deposits made by companies who must post a bond when they have a going out of business sale. After the sale, the bond may be released to the company. The account had a beginning balance of \$16,944, \$16 in receipts, and \$7 in disbursements for calendar year 2017. The account had a balance of \$16,953 as of December 31, 2017.

Note 7. Bankruptcy Account

This account is used for bankruptcy payments from the Chapter 13 bankruptcy trustee. The payments from the trustee are for tangible property tax due to the state or clerk or for delinquent property tax owed. The account had a beginning balance of \$79,155, \$76 in receipts, and \$38 in disbursements during calendar year 2017. The account had a balance of \$79,193 as of December 31, 2017.

Note 8. Delinquent Tax Escrow Account

This account is used to account for funds received when a third party purchases a delinquent tax bill but cannot be located by the property owner when the property owner attempts to pay the bill. The county clerk accepts payment for the bill and keeps this money in escrow for the third party purchaser. The account had a beginning balance of \$24,947, receipts of \$1,009, and no disbursements for calendar year 2017. The account had a balance of \$25,956 as of December 31, 2017.

Note 9. Outstanding Checks Escrow Account

This account is used to account for unclaimed checks written by the county clerk that are still outstanding after a period of time. The county clerk periodically moves the funds from the fee account to this account to facilitate balancing and to provide the necessary tracking of this unclaimed property. After three years, the county clerk will send these funds to the Kentucky State Treasury as property assumed abandoned, pursuant to KRS 393.090 and 393.110. The account had a beginning balance of \$521, receipts of \$9,755, and disbursements of \$4,234 for calendar year 2017. The account had a balance of \$6,042 as of December 31, 2017. The clerk's escrowed amounts were as follows:

2014	\$1,672
2015	727
2016	503
2017	9,905

Note 10. Discretionary Fund Bank Account

The county clerk has established a discretionary account as provided by KRS 64.345. This fund is used to cover additional expenses related to extraordinary office expenses in amounts authorized by the approving authority. The account had a beginning balance of \$27,630, no receipts, \$247 in disbursements, and an ending balance of \$27,383 as of December 31, 2017.

JEFFERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017
(Continued)

Note 11. Deficit Balance Due at Completion of Audit

This deficit of \$5,622 is the result of the Jefferson County Clerk's uncollected non-sufficient funds checks during calendar year 2017. This amount will need to be recovered from the state before the end of the term in order for the county clerk to have sufficient funds in the local bank account to pay all outstanding obligations.

Note 12. Restatement of Beginning Balance

The beginning balance on January 1, 2017 was restated from \$2,105,427 to \$2,105,444 for an increase of \$17 to correct a prior year error.

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Greg Fischer, Mayor, Louisville/Jefferson County Metro Government
The Honorable Bobbie Holsclaw, Jefferson County Clerk
Members of the Jefferson County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements 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 and Disbursements - Regulatory Basis of the County Clerk of Jefferson County, Kentucky, the Statement of Receipts, Disbursements, and Fund Balances of the County Clerk's Operating Fund and County Fund with the State Treasurer - Regulatory Basis for the year ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated October 22, 2018. The Jefferson County Clerk's financial statements are 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 statements, we considered the Jefferson 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 statements, but not for the purpose of expressing an opinion on the effectiveness of the Jefferson County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Jefferson County Clerk's internal control.

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 statements will not be prevented, or detected and corrected on a timely basis. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With *Government Auditing Standards*
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Jefferson County Clerk's financial statements are 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 2017-001.

Views of Responsible Official and Planned Corrective Action

The Jefferson County Clerk's views and planned corrective action for the finding identified in our audit are included in the accompanying Schedule of Findings and Responses. The Jefferson County Clerk's response was not subjected to the auditing procedures applied in the audit of the financial statements and, according we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

October 22, 2018

SCHEDULE OF FINDINGS AND RESPONSES

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JEFFERSON COUNTY
BOBBIE HOLSCLAW, COUNTY CLERK
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2017

STATE LAWS AND REGULATIONS:

2017-001 The Jefferson County Clerk Is Charging A Fee And Using Public Equipment And Personnel To Provide Election Services To Private Agencies.

This is a repeat comment and was reported in the 2016 audit report as finding 2016-001. In the 2011 audit exit conference, it was noted that the clerk's Election Center provided election services, for a fee, to private entities, such as unions and churches. The activity continued in 2012, 2013, 2014, 2015, 2016 and 2017. These services included preparation of ballots, delivery of the publicly owned voting machine to the private entity's location, monitoring of the private entity's election by a deputy clerk, tallying the votes and providing election results. The clerk does not have a policy to prohibit the use of public equipment and personnel for private purposes. By continuing this activity, the clerk is allowing the use of public equipment and personnel for a private entity's private purposes, and is charging a fee for a service where the fee is not authorized by statute. Per KRS 64.410(2)(b), a clerk, as a fee officer, may not receive for her services any fee for services rendered when the law has not fixed a compensation. Further, public equipment and personnel may be used only for a public purpose, and such use by a private entity is prohibited by Ky. Const. Sec. 171, as interpreted in OAG 84-190. We recommend the clerk comply with KRS 64.410 and the Kentucky Constitution and discontinue providing and charging a fee for election services to private entities for the private purposes of those entities.

County Clerk's Response: We disagree with this finding:

The JCCO, the JCAO and the County Board continue to believe voter education, election promotion and training are public purposes, according to OAG 92-87. In that opinion, the Attorney allowed a public office to donate public money to a charitable organization for voter education. OAG 92-87 states "We have no hesitation in concluding that increasing voter education, participation, and registration represent a valid public purpose." OAG 86-23 opines that a public entity may benefit a private entity if the purpose is a public one.

In fact, the Jefferson County Attorney's Office developed a contract that must be signed by their office and the client for the JCCO to provide the service; they also assisted with developing procedures pertaining to the use of the equipment. See example of contract and procedures.

Therefore, election services are still provided for a fee, to private entities, such as unions and churches.

Auditor's Reply: The use of county clerk deputies and voting machines to conduct mock elections for children at school is not the activity at issue in the audit comment. The use of county clerk's deputies and equipment to conduct actual elections for private entities is the activity at issue. Further, the county clerk is violating state law by collecting a fee not mandated in statute as a required fee to be collected by a county clerk.