

**REPORT OF THE AUDIT OF THE
KNOTT COUNTY
CLERK**

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



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS	3
NOTES TO FINANCIAL STATEMENT	6
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 <i>GOVERNMENT AUDITING STANDARDS</i>	13
SCHEDULE OF FINDINGS AND RESPONSES	17

THIS PAGE LEFT BLANK INTENTIONALLY



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Zach Weinberg, Knott County Judge/Executive
The Honorable Ken Gayheart, Knott County Clerk
Members of the Knott 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 Knott 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 Zach Weinberg, Knott County Judge/Executive
The Honorable Ken Gayheart, Knott County Clerk
Members of the Knott 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 Knott 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 Knott 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 Knott 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 November 17, 2017, on our consideration of the Knott 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.

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 Knott County Clerk Did Not Have Segregation Of Duties Over Receipts
- 2016-002 The Knott County Clerk’s Ledgers And Fourth Quarter Financial Report Did Not Include All Disbursements

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

November 17, 2017

KNOTT COUNTY
 KEN GAYHEART, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2016

Receipts

State Grants - Libraries and Archives	\$	7,395	
State Revenue Supplement			65,777
State Fees For Services			4,133
Fiscal Court			4,822
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	443,972	
Usage Tax		994,109	
Tangible Personal Property Tax		1,072,161	
Other-			
Fish and Game Licenses		4,851	
Marriage Licenses		4,047	
Deed Transfer Tax		8,712	
Delinquent Tax		<u>1,237,189</u>	3,765,041
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		9,052	
Real Estate Mortgages		12,824	
Chattel Mortgages and Financing Statements		39,875	
Affordable Housing Trust		10,398	
All Other Recordings		15,794	
Charges for Other Services-			
Candidate Filing Fees		280	
Copywork		812	
Postage		<u>764</u>	89,799
Other:			
Miscellaneous		2,822	
Refunds		<u>2,954</u>	5,776
Interest Earned			<u>484</u>
Total Receipts			3,943,227

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

KNOTT COUNTY
 KEN GAYHEART, 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	\$ 311,877	
Usage Tax	964,189	
Tangible Personal Property Tax	454,873	
Licenses, Taxes, and Fees-		
Fish and Game Licenses	4,842	
Delinquent Tax	111,465	
Legal Process Tax	11,905	
Affordable Housing Trust	10,398	\$ 1,869,549

Payments to Fiscal Court:

Tangible Personal Property Tax	114,467	
Delinquent Tax	143,735	
Deed Transfer Tax	8,202	266,404

Payments to Other Districts:

Tangible Personal Property Tax	460,036	
Delinquent Tax	588,154	1,048,190

Payments to Sheriff

98,205

Payments to County Attorney

185,259

Operating Disbursements:

Personnel Services-

Deputies' Salaries 193,321

Employee Benefits-

Employer's Share Social Security 20,141

Employer's Share Retirement 47,023

Employer's Paid Insurance 2,785

Contracted Services-

Legal and Accounting 8,080

Contract Labor 285

Materials and Supplies-

Office Supplies 15,646

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

KNOTT COUNTY
 KEN GAYHEART, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2016
 (Continued)

Disbursements (Continued)

Operating Disbursements: (Continued)

Other Charges-			
Conventions and Travel	\$	5,274	
Dues		1,400	
Postage		3,337	
Uncollected Returned Checks		899	
Refunds		26,245	
Telephone		7,828	
Libraries and Archives Grant		7,395	
Miscellaneous		<u>350</u>	\$ 340,009
Debt Service:			
Lease Purchases		<u>21,728</u>	<u>21,728</u>
Total Disbursements			<u>\$ 3,829,344</u>
Net Receipts			113,883
Less: Statutory Maximum			<u>83,356</u>
Excess Fees			30,527
Less: Expense Allowance		3,600	
Training Incentive Benefit		<u>3,969</u>	<u>7,569</u>
Balance Due Fiscal Court at Completion of Audit			<u>\$ 22,958</u>

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

KNOTT 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.

KNOTT 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.

The county clerk's contribution for calendar year 2014 was \$43,546, calendar year 2015 was \$44,570, and calendar year 2016 was \$47,023.

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:

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%

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.

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

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

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

Note 3. Deposits

The Knott 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 Knott 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. Libraries And Archives Grant

The Knott County Clerk's office received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$7,760. The account earned interest of \$8 during calendar year 2016. Funds totaling \$7,395 were expended during the year. The unexpended grant balance was \$373 as of December 31, 2016.

Note 5. Lease Agreements

A. Copier Lease Agreement

On February 12, 2013, the office of the county clerk committed to a lease agreement for a copier. The agreement requires a monthly payment of \$345 for 60 months to be completed on February 12, 2018. The county clerk was in compliance with all lease requirements as of December 31, 2016. The balance of the lease agreement at December 31, 2015, is \$4,835.

B. Hardware Service Agreement

The county clerk's office is committed to an agreement for computer equipment maintenance. The agreement requires two annual payments of \$2,364 to be completed on December 8, 2016. The agreement will renew automatically for additional one year terms thereafter, unless prior written notice is received.

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

Note 5. Lease Agreements (Continued)

C. Software Service Agreement

The county clerk's office is committed to an agreement for computer software license and service. The agreement requires a monthly payment of \$200 to be completed on December 10, 2016. The agreement will renew automatically for additional one year terms thereafter, unless prior written notice is received.

D. Software Service Agreement – Deed Room

The county clerk's office is committed to a lease agreement for computer software license and service to be used in the deed room. The lease requires a monthly payment of \$1,085 for 48 months. The clerk was in compliance with all lease requirements as of December 31, 2016.

Note 6. Escrow Account

The county clerk maintains an escrow account for the purpose of holding unclaimed funds. The balance in the account as of December 31, 2016 was \$284.

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

THIS PAGE LEFT BLANK INTENTIONALLY

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*

THIS PAGE LEFT BLANK INTENTIONALLY



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Zach Weinberg, Knott County Judge/Executive
The Honorable Ken Gayheart, Knott County Clerk
Members of the Knott 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 Knott County Clerk for the year ended December 31, 2016, and the related notes to the financial statement and have issued our report thereon dated November 17, 2017. The Knott 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 Knott 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 Knott County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Knott 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 statement 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.



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)

Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control, which are described in the accompanying findings and responses as 2016-001 and 2016-002 that we consider to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Knott 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 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 2016-002.

Views of Responsible Official and Planned Corrective Action

The Knott 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 Knott 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

November 17, 2017

SCHEDULE OF FINDINGS AND RESPONSES

THIS PAGE LEFT BLANK INTENTIONALLY

KNOTT COUNTY
KEN GAYHEART, COUNTY CLERK
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2016

FINANCIAL STATEMENT FINDINGS:

2016-001 The Knott County Clerk Did Not Have Segregation Of Duties Over Receipts

This is a repeat finding and was included in the prior year audit report as finding 2015-001. The bookkeeper collects cash, prepares the daily checkout sheets, prepares monthly tax reports, and posts to the receipts ledger. These incompatible duties create a lack of segregation of duties over receipts. To adequately protect assets from misappropriation and inaccurate financial reporting, duties involving collecting cash, preparing daily checkout sheets, preparing monthly tax reports, and posting to the receipts ledger should be separated. However, according to the Knott County Clerk, the office has a limited budget, which restricts the number of employees and prevents a proper segregation of duties.

This deficiency increases the risk of misappropriation of assets, errors, and inaccurate financial reporting. Segregation of duties over cash collection, daily checkout procedures, and deposit preparation are essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. Also, the county clerk can implement oversight when duties cannot be segregated.

We recommend the county clerk separate the duties involved in receiving cash, preparing bank deposits, posting to ledgers, and preparation of reports. If segregation of duties is not feasible due to lack of staff, the county clerk can implement compensating controls that are operating effectively. Additionally, the county clerk could deliver the daily checkout sheets to the outside firm that generates financial reports for the clerk, and request a computerized receipts ledger be generated with the original source documents.

County Clerk's Response: We are a small county with limited money and employees. We have an accountant that helps us with our books and finances. We try to disburse the duties of the office among 5 employees. We will talk to the accountant to see if there is anything that he can help us with this.

2016-002 The Knott County Clerk's Ledgers And Fourth Quarter Financial Report Did Not Include All Disbursements

The county clerk's ledgers and fourth quarter financial report did not include all disbursements for calendar year 2016. The county clerk's receipts and disbursements ledgers should match the fourth quarter financial report to ensure accurate reporting of all financial activity. The county clerk had disbursements totaling \$6,213 for calendar year 2016 that were paid during January and February 2017. These disbursements were not included on the disbursements ledger and the final quarterly financial report for 2016. The clerk also had expenditures for insurance totaling \$2,040 and health insurance totaling \$746 that were not included on the disbursements ledger and the final quarterly financial report for 2016.

The county clerk does not have proper internal controls in place to ensure that all transactions are posted correctly. Transactions occurred after the end of year that were not posted to the disbursements ledger and the fourth quarter financial report. As a result, numerous audit adjustments were necessary to correct the receipts and disbursements ledgers. Inaccurate reporting of receipts and disbursements can result in overspending of the planned budget and incorrect financial reporting to the Department for Local Government.

Good internal controls dictate the county clerk should reconcile his ledgers to his quarterly financial reports. KRS 68.210 requires the state local finance officer to prescribe a system of uniform accounts for county officials to follow. The state local finance officer requires officials to maintain accurate records which support amounts reported on the quarterly financial reports.

KNOTT COUNTY
KEN GAYHEART, COUNTY CLERK
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2016
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-002 The Knott County Clerk's Ledgers And Fourth Quarter Financial Report Did Not Include All Disbursements (Continued)

We recommend the Knott County Clerk maintain complete and accurate receipts and disbursements ledgers which support the amounts reported on the quarterly financial report.

County Clerk's Response: Part of this was because the fiscal court didn't get the bill for payroll insurance until March of 2017. Auditor and I talked to our accountant together and have worked a solution that these accounts will be paid on a monthly basis and will match payroll records. We have already started this plan.