

**REPORT OF THE AUDIT OF THE  
PERRY COUNTY  
CLERK**

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



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

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



## **EXECUTIVE SUMMARY**

### **AUDIT OF THE PERRY COUNTY CLERK**

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

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

#### **Financial Condition:**

Excess fees decreased by \$22,311 from the prior year, resulting in excess fees of \$25,846 as of December 31, 2015. Receipts increased by \$73,068 from the prior year and disbursements increased by \$95,379.

#### **Report Comments:**

- 2015-001 The Perry County Clerk Did Not Present The Final Settlement To The Fiscal Court
- 2015-002 The Perry County Clerk's Ledgers And Quarterly Financial Report Did Not Include All Receipts And Disbursements
- 2015-003 The Perry County Clerk's Office Lacks Adequate Segregation Of Duties

#### **Deposits:**

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



CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT ..... 1

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS .....4

NOTES TO FINANCIAL STATEMENT ..... 7

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*..... 13

COMMENTS AND RECOMMENDATIONS ..... 17





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

The Honorable Scott Alexander, Perry County Judge/Executive  
The Honorable Haven King, Perry County Clerk  
Members of the Perry 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 Perry County, Kentucky, for the year ended December 31, 2015, and the related notes to the financial statement.

**Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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



The Honorable Scott Alexander, Perry County Judge/Executive  
The Honorable Haven King, Perry County Clerk  
Members of the Perry 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 Perry 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 Perry County Clerk, as of December 31, 2015, or changes in financial position or cash flows thereof for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the Perry County Clerk for the year ended December 31, 2015, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2017 on our consideration of the Perry County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.



The Honorable Scott Alexander, Perry County Judge/Executive  
The Honorable Haven King, Perry County Clerk  
Members of the Perry County Fiscal Court

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

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

- 2015-001 The Perry County Clerk Did Not Present The Final Settlement To The Fiscal Court
- 2015-002 The Perry County Clerk's Ledgers And Quarterly Financial Report Did Not Include All Receipts And Disbursements
- 2015-003 The Perry County Clerk's Office Lacks Adequate Segregation Of Duties

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

April 26, 2017

PERRY COUNTY  
 HAVEN KING, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2015

Receipts

State Fees For Services		\$ 10,489
Fiscal Court		2,951
Licenses and Taxes:		
Motor Vehicle-		
Licenses and Transfers	\$ 1,144,175	
Usage Tax	3,858,261	
Tangible Personal Property Tax	2,386,703	
Other-		
Marriage Licenses	9,975	
Occupational Licenses	1,976	
Deed Transfer Tax	55,981	
Delinquent Tax	<u>968,927</u>	8,425,998
Fees Collected for Services:		
Recordings-		
Deeds, Easements, and Contracts	15,974	
Real Estate Mortgages	11,678	
Chattel Mortgages and Financing Statements	94,982	
All Other Recordings	68,913	
Charges for Other Services-		
Candidate Filing Fees	40	
Copywork	<u>11,561</u>	203,148
Other:		
Miscellaneous	3,750	
Overpayments	10,477	
Refunds	<u>2,479</u>	16,706
Interest Earned		<u>917</u>
Total Receipts		8,660,209

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

PERRY COUNTY  
 HAVEN KING, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2015  
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 805,831	
Usage Tax	3,742,366	
Tangible Personal Property Tax	904,570	

Licenses, Taxes, and Fees-

Delinquent Tax	103,041	
Legal Process Tax	23,721	
Affordable Housing Trust	46,062	\$ 5,625,591

Payments to Fiscal Court:

Tangible Personal Property Tax	257,472	
Delinquent Tax	71,419	
Deed Transfer Tax	53,564	
Occupational Licenses	1,805	384,260

Payments to Other Districts:

Tangible Personal Property Tax	1,127,687	
Delinquent Tax	502,759	1,630,446

Payments to Sheriff

84,548

Payments to County Attorney

126,940

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	495,787	
Part-Time Salaries	35,820	
Overtime	2,651	

Employee Benefits-

Employer's Share Social Security	44,470	
----------------------------------	--------	--

Contracted Services-

Equipment Repairs	122	
Printing and Binding	5,241	

Materials and Supplies-

Office Supplies	28,371	
-----------------	--------	--

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

PERRY COUNTY  
 HAVEN KING, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2015  
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Other Charges-		
Conventions and Travel	\$ 4,716	
Dues	1,320	
Postage	3,552	
Refunds	6,598	
Bonds	499	
Overpayments	13,028	
Capital Outlay-		
Office Equipment	<u>14,878</u>	\$ 657,053
Debt Service:		
Lease Purchases		<u>29,321</u>
Total Disbursements		<u>\$ 8,538,159</u>
Net Receipts		122,050
Less: Statutory Maximum		<u>88,663</u>
Excess Fees		33,387
Less: Expense Allowance	3,600	
Training Incentive Benefit	<u>3,941</u>	<u>7,541</u>
Excess Fees Due County for 2015		25,846
Payment to Fiscal Court- March 15, 2016		<u>25,846</u>
Balance Due Fiscal Court at Completion of Audit		<u><u>\$ 0</u></u>

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

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2015

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

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

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

B. Basis of Accounting

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

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

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

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the county treasurer in the subsequent year.

C. Cash and Investments

KRS 66.480 authorizes the county clerk's office to 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 in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

PERRY COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2015  
 (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 17.67 percent for the first six months and 17.06 percent for the last six months.

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

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

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.

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

Note 3. Deposits

The Perry 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 Perry County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of December 31, 2015, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Lease Agreements

- A. The Perry County Clerk's office is committed to a lease agreement for a copier. The agreement requires 60 monthly payments of \$243 to be completed in May 2017. As of December 31, 2015, the county clerk's office was in compliance with the terms of the agreement.
- B. The Perry County Clerk's office is committed to a lease agreement for computer equipment and software. The agreement requires 60 monthly payments of \$1,584 to be completed in October 2015. As of October 2015, the county clerk's agreement was paid in full. The lease agreement did have an auto renewal which will last for 12 months and is in compliance with the terms of the agreement.
- C. The Perry County Clerk's office is committed to a lease agreement for a copier. The agreement requires 48 monthly payments of \$262 to be completed in December 2017. As of December 31, 2015, the county clerk's office was in compliance with the terms of the agreement.
- D. The Perry County Clerk's office is committed to a lease agreement for a copier. The agreement requires 48 monthly payments of \$121 to be completed in February 2016. As of December 31, 2015, the county clerk's office was in compliance with the terms of the agreement.
- E. The Perry County Clerk's office is committed to a lease agreement for a postage meter and scale. The agreement requires 20 quarterly payments of \$495 to be completed in January 2016. As of December 31, 2015, the county clerk's office was in compliance with the terms of the agreement.

Note 5. Library and Archives Grant

The Perry County Clerk received a local records microfilming grant from the Kentucky Department for Library and Archives in the amount of \$51,756 during calendar year 2013. The balance as of January 1, 2015, was \$168. There were no receipts or disbursements during calendar year 2015. The remaining grant balance was \$168 as of December 31, 2015.

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

Note 6. Court Ordered Restitution

The Commonwealth's Attorney conducted an investigation resulting in the prosecution of the former bookkeeper of the Perry County Clerk's office. On March 25, 2010 the former employee pled guilty, pursuant to North Carolina v. Alford, 400 U.S. 25 (1970), to the amended count of Official Misconduct 1st Degree (a Class A misdemeanor), which was committed between January 30, 2006 and December 29, 2006. The circuit court ordered restitution of \$21,473, payable to the Perry County Circuit Clerk's office in monthly payments of \$150. During calendar year 2015, the Perry County Circuit Clerk collected \$1,800 from the former employee in restitution. Subsequently, the restitution was paid to the Perry County Fiscal Court as 2006 calendar year excess fees. As of December 31, 2015, total restitution due to Perry County Fiscal Court as 2006 excess fees is \$10,573, with \$300 of this total being due to the Kentucky State Treasurer for 2006 legal process fees.



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





MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Scott Alexander, Perry County Judge/Executive  
The Honorable Haven King, Perry County Clerk  
Members of the Perry 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 Perry County Clerk for the year ended December 31, 2015, and the related notes to the financial statement and have issued our report thereon dated April 26, 2017. The Perry 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 Perry 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 Perry County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Perry County Clerk's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying comments and recommendations, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying comments and recommendations as item 2015-003 to be a material weakness.



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

**Internal Control over Financial Reporting (Continued)**

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying comments and recommendations as item 2015-002 to be a significant deficiency.

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Perry 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying comments and recommendations as items 2015-001 and 2015-02.

**County Clerk's Responses to Findings**

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

April 26, 2017

COMMENTS AND RECOMMENDATIONS



PERRY COUNTY  
HAVEN KING, COUNTY CLERK  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2015

FINANCIAL STATEMENT FINDINGS:

2015-001 The Perry County Clerk Did Not Present The Final Settlement To The Fiscal Court

---

The Perry County Clerk did not present his final settlement to the fiscal court. Although excess fees were presented and recorded by the fiscal court, the final settlement was never presented. The county clerk failed to ensure that he or his staff submitted the final settlement to the fiscal court. Without presenting an annual settlement, the fiscal court is unaware of the financial condition of the county clerk's office.

KRS 64.152(1) states, in part "the county clerk shall provide to the fiscal court by March 15 of each year a complete statement for the preceding calendar year of all funds received by his office in an official capacity or for official services, and of all expenditures of his office, including his salary, compensation of deputies and assistants, and reasonable expenses."

We recommend the county clerk comply with KRS 64.152(1) and establish procedures to ensure an annual settlement is presented to the fiscal court by March 15 of each calendar year.

*County Clerk's Response: Will get in compliance.*

2015-002 The Perry County Clerk's Ledgers And Quarterly Financial Report Did Not Include All Receipts And Disbursements

---

The clerk's receipts ledger, disbursements ledger, and quarterly financial report did not include all receipts and disbursements for calendar year 2015. 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 does not have proper internal controls in place to ensure that all transactions are posted correctly. As a result, numerous audit adjustments were made to 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.

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

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

PERRY COUNTY  
HAVEN KING, CLERK  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2015  
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-003 The Perry County Clerk's Office Lacks Adequate Segregation Of Duties

---

The Perry County Clerk's office lacks adequate segregation of duties. All of the county clerk's employees receive cash. The bookkeeper receives cash, prepares deposits, posts revenue to the ledger, prepares disbursements other than those listed elsewhere in this comment, posts disbursements to the ledger, and completes the monthly bank reconciliations. The county clerk has assigned different deputies to be responsible for the usage, registration, delinquent tax, legal process, and chattel disbursements. Employees are not cross-trained; therefore, only the deputy responsible for a certain report is knowledgeable about those reports. The deputy who prepares the report is also responsible for preparing all disbursement checks. Although the county clerk reviews the monthly reports and disbursements, no evidence exists that he reviews refund or overpayment disbursements. In order to post all disbursements, the bookkeeper uses the check register instead of the actual disbursement checks and supporting documentation. The county clerk routinely only signs payroll checks, not checks for other disbursements.

A limited budget places restrictions on the number of employees the county clerk can hire. When faced with a limited staff, strong compensating controls should be in place to offset the lack of segregation of duties. The implementation of compensating controls is 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 responsibilities.

When one deputy collects revenue, prepares deposits, prepares the reports, and prepares the disbursements, that deputy has control over the entire process. No evidence exists that the county clerk or another deputy verifies the receipts or disbursements (with the exception of payroll) before they are remitted or posted to the ledger. Allowing one person control over an entire process without oversight subjects the monies of the county clerk's office to inaccurate financial reporting and misappropriation.

Segregation of duties over cash collections, daily checkout procedures, deposit preparation, and the preparation over checks is 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.

We recommend the county clerk segregate duties and institute compensating controls. Examples of controls include, but are not limited to, cross-training employees, requiring deputies to periodically rotate duties, routinely recalculating daily checkout procedures for accuracy, obtaining bank statements unopened, re-performing bank reconciliations, and ensuring that reports and financial statements are accurate by comparing to the ledgers. The county clerk should appoint one individual to be responsible for issuing all disbursements. The county clerk, along with a deputy, should sign all checks. The county clerk should approve all refunds. The county clerk and deputies should document the review processes by initialing the reports and supporting documentation.

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



