

**REPORT OF THE AUDIT OF THE  
PULASKI COUNTY  
CLERK**

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



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

The Honorable Steve Kelley, Pulaski County Judge/Executive  
The Honorable Linda Burnett, Pulaski County Clerk  
Members of the Pulaski 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 Pulaski 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 Steve Kelley, Pulaski County Judge/Executive  
The Honorable Linda Burnett, Pulaski County Clerk  
Members of the Pulaski 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 Pulaski 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 Pulaski 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 Pulaski 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 August 28, 2017, on our consideration of the Pulaski County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

The Honorable Steve Kelley, Pulaski County Judge/Executive  
The Honorable Linda Burnett, Pulaski County Clerk  
Members of the Pulaski County Fiscal Court

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

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

- 2016-001 The Pulaski County Clerk's Office Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, And Reconciliations
- 2016-002 The Pulaski County Clerk's Office Lacks Proper Internal Controls Over The Delinquent Tax Reporting Process

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

August 28, 2017

PULASKI COUNTY  
LINDA BURNETT, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2016

Receipts

State Grant - Kentucky Department for Libraries and Archives	\$	25,424	
State Fees For Services			24,070
Fiscal Court			22,861
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	2,609,835	
Usage Tax		10,012,901	
Tangible Personal Property Tax		5,082,749	
Notary Fees		8,361	
Clerk Lien Fees		41,626	
Other-			
Marriage Licenses		17,573	
Deed Transfer Tax		206,864	
Delinquent Tax		<u>570,545</u>	18,550,454
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		70,176	
Real Estate Mortgages		115,755	
Chattel Mortgages and Financing Statements		201,283	
Powers of Attorney		14,208	
All Other Recordings		73,646	
Charges for Other Services-			
Copywork		46,535	
Postage		4,315	
Delinquent Tax Releases		<u>1,580</u>	527,498
Other:			
Refunds		23,201	
Debit/Credit Card Fees		20,908	
Miscellaneous Income		14,946	
Returned Checks - Prior Year and Fees		<u>504</u>	59,559

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



PULASKI COUNTY  
LINDA BURNETT, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
For The Year Ended December 31, 2016  
(Continued)

Receipts (Continued)

Interest Earned	<u>\$ 13,010</u>
Total Receipts	19,222,876

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 1,778,945	
Usage Tax	9,711,122	
Tangible Personal Property Tax	2,038,523	

Licenses, Taxes, and Fees-

Delinquent Tax	68,371	
Legal Process Tax	65,017	
Affordable Housing Trust	<u>66,030</u>	\$ 13,728,008

Payments to Fiscal Court:

Tangible Personal Property Tax	324,060	
Delinquent Tax	26,487	
Deed Transfer Tax	<u>196,518</u>	547,065

Payments to Other Districts:

Tangible Personal Property Tax	2,513,285	
Delinquent Tax	<u>285,711</u>	2,798,996

Payments to Sheriff 45,428

Payments to County Attorney 78,300

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	774,427
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Contracted Services-

Maintenance/Other	40,949
Libraries and Archives Grant	25,424
Printing and Binding	29,146

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

PULASKI COUNTY  
LINDA BURNETT, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
For The Year Ended December 31, 2016  
(Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Materials and Supplies-			
Office Supplies	\$	41,708	
Other Charges-			
Advertising		18,903	
Bond		648	
Conventions and Travel		4,980	
Dues		10,376	
Uniforms		1,750	
Postage		13,298	
Returned Checks		2,398	
Refunds		23,295	
Telephone		31,624	
Debit/Credit Card Fees		22,766	
Miscellaneous		5,644	
Capital Outlay-			
Office Equipment		937	
Election Equipment		10,721	
Office Update		4,480	\$ 1,063,474
		<u>4,480</u>	
Debt Service:			
Leases			<u>21,674</u>
Total Disbursements			<u>\$ 18,282,945</u>
Net Receipts			939,931
Less: Statutory Maximum			<u>99,233</u>
Excess Fees			840,698
Less: Expense Allowance		3,600	
Training Incentive Benefit		1,984	<u>5,584</u>
Excess Fees Due County for 2016			835,114
Payment to Fiscal Court - December 31, 2016			<u>835,114</u>
Balance Due Fiscal Court at Completion of Audit			<u>\$ (0)</u>

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

PULASKI 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.

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

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

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 17.06 percent for the first six months and 18.68 percent for the last six months.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous members contribute five percent of their annual creditable compensation and one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A nonhazardous member's account is credited with a four percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

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

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

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

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

Note 3. Deposits

The Pulaski 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 Pulaski County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of December 31, 2016, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Grant

The Pulaski County Clerk's office received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$25,424. Funds totaling \$25,424 were expended during the year. The grant had a \$0 balance as of December 31, 2016.

Note 5. Lease Agreements

A. Mall Rental

The Pulaski County Clerk's office was committed to a lease agreement for the office space within the Somerset Mall. The agreement requires a monthly payment of \$1,650 for 48 months to be completed on December 31, 2018. The total balance of the agreement was \$39,600, as of December 31, 2016.

B. Mailing System

The Pulaski County Clerk's office was committed to a lease agreement for a mailing system. The agreement requires a monthly payment of \$312 or quarterly payments of \$937 for 48 months to be completed on December 31, 2018. The total balance of the agreement was \$7,497 as of December 31, 2016.

C. Land Record Management System

The Pulaski County Clerk's office was committed to a service agreement for software licensing, software support, and hardware maintenance to support a land management system. The agreement requires a monthly payment of \$1,500. This agreement was effective January 1, 2016, and will remain in effect through December 31, 2017 or until terminated by either party. During calendar year 2016, there were no lease payments made under this agreement because the service provider did not bill the clerk until August 2017.

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

Note 5. Lease Agreements (Continued)

D. Equipment for Land Records

The Pulaski County Clerk's office was committed to a service agreement for computers, monitors, and scanners necessary for data indexing, imaging, retrieval, and printing of imaged land records recorded in the county clerk's office. The agreement requires a monthly payment of \$2,200. This agreement was effective January 1, 2015, and will remain in effect until terminated by either party.

Note 6. Change Fund

The Pulaski County Fiscal Court authorized the county clerk to retain \$4,800 in 2015 excess fees to be used as a change fund during her term in office. The change fund will be deposited and paid to the fiscal court as excess fees at the end of the county clerk's term in office.

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 Steve Kelley, Pulaski County Judge/Executive  
The Honorable Linda Burnett, Pulaski County Clerk  
Members of the Pulaski 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 Pulaski County Clerk for the year ended December 31, 2016, and the related notes to the financial statement and have issued our report thereon dated August 28, 2017. The Pulaski 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 Pulaski 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 Pulaski County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pulaski County Clerk's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2016-001 and 2016-002 to be material weaknesses.



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

### **Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Pulaski County Clerk's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2016-002.

### **County Clerk's Responses to the Findings**

The Pulaski County Clerk's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Pulaski 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,

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

Mike Harmon  
Auditor of Public Accounts

August 28, 2017

SCHEDULE OF FINDINGS AND RESPONSES



PULASKI COUNTY  
LINDA BURNETT, COUNTY CLERK  
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2016

FINANCIAL STATEMENT FINDINGS:

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

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The Pulaski County Clerk's office lacks adequate segregation of duties over receipts, disbursements, and the reconciliation process. This is a repeat finding and was included in the prior year audit report as finding 2015-001. The county clerk has implemented a compensating control over receipts and the two bookkeepers do not collect cash. However, the bookkeeper recounts the cash after each deputy balances their individual cash drawers with their computer-prepared daily checkout sheet. The bookkeeper is responsible for posting to the receipts and disbursements ledgers, preparing a consolidated daily checkout sheet, preparing the deposit ticket, preparing adjusting entries to the receipts and disbursements ledgers, preparing monthly bank reconciliations, preparing all disbursements, with the exception of payroll, and preparing all monthly and quarterly reports. The two bookkeepers rotate their duties each week. The county clerk has implemented compensating controls over disbursements, including dual signatures on all disbursements, with one signature being the county clerk the majority of the time. Also, the county clerk initials the cancelled invoices before signing the disbursements, evidencing her review. Compensating controls were not effective, not operating as intended, and failed to detect the following issues.

- The accounting software was not able to detail specific postings to both the miscellaneous receipts and miscellaneous disbursements. Therefore, the county clerk was not able to determine if postings to the ledgers were accurate. This created the need for numerous reclassifications of miscellaneous receipts and audit adjustments to disbursements to correct the financial statement.
- Instances in which the monthly delinquent tax reports did not reconcile to the receipts ledger postings. In most cases the taxing districts were not paid correctly. Therefore, the disbursements and the monthly reports signed by the county clerk were inaccurate.

The county clerk stated she knew that other duties in the office kept her from providing adequate oversight. Compensating controls over receipts and disbursements were not effective due to the issues noted with lack of internal controls over the accounting records and delinquent taxes.

Segregation of duties over receipts, disbursements, and the reconciliation process, or implementation of compensating controls when needed, is essential for providing protection to employees in the normal course of performing their duties and can also prevent inaccurate financial reporting and misappropriation of assets.

Adequate segregation of duties would prevent the same person from having a significant role in the receiving and disbursing of funds, recording, and reporting of those receipts and disbursements. The lack of segregation of duties increases the county clerk's risk of misappropriation of assets, errors, and inaccurate financial reporting.

We recommend the county clerk strengthen internal controls by segregating these duties over receipts, disbursements, and the reconciliation process. If segregation of duties is not possible, strong oversight should be implemented. The employee providing this oversight should document his or her review by initialing all source documentation and ensure it is accurate.

PULASKI COUNTY  
 LINDA BURNETT, COUNTY CLERK  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2016

FINANCIAL STATEMENT FINDINGS: (CONTINUED)

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

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*County Clerk's Response: Added an extra deputy to help with the bank statements reconciliation. Advised them to keep up with the bank reconciliations and ledgers on a closer review and I myself take more time to work in that area and by making sure that we initial all our reconciliations. Our other duties sometimes prevents us in providing this requirement.*

2016-002 The Pulaski County Clerk's Office Lacks Proper Internal Controls Over The Delinquent Tax Reporting Process

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The delinquent tax reports for February, June, August, and September 2016 were not accurate. The following discrepancies were noted.

- February - Tax bill #12800 in the amount of \$638 was included twice on the February monthly delinquent tax report. Therefore, the taxing districts were overpaid.
- June - Three tax bills (23814, 32437, and 45314) totaling \$2,009 were collected and posted to the county clerk's receipts ledger, but were not included on the June monthly delinquent tax report. Therefore, the districts were underpaid.
- June - Tax bill #7480 in the amount of \$50 was included on the June monthly delinquent tax report, but was not posted to the county clerk's receipts ledger as collected.
- August - An unexplained variance of \$330 existed between the county clerk's receipts ledger and the August monthly delinquent tax report. The amount was included on the county clerk's receipts ledger as collected, but was not included on the August monthly delinquent tax report.
- September - Two bills (19181 and 19359) totaling \$2,275 were collected and posted to the county clerk's receipts ledger, but were not included on the September monthly delinquent tax report. Therefore, the taxing districts were underpaid.

These errors were the result of the county clerk's failure to implement internal controls to ensure that proper amounts were reported on the monthly delinquent tax reports, recorded in the receipts ledger, and paid out accurately to the taxing districts. Due to the errors listed above, the taxing districts were not paid accurately.

KRS 134.126(1)(a) states, in part, "[t]he county clerk shall receive and record payments for all certificates of delinquency and personal property certificates of delinquency filed by the sheriff[.]" In addition, good internal controls dictate the county clerk should provide oversight over the monthly reporting to ensure all collected delinquent tax bills are included on the monthly delinquent tax reports and posted to the receipts ledger. The receipts ledger and the monthly tax reports should be reconciled and agree.

We recommend the county clerk review all discrepancies listed above and make all necessary adjustments to the current delinquent tax monthly reports to ensure the taxing districts are paid accurately. Also, we recommend the county clerk develop internal control procedures to ensure accurate posting of collected delinquent tax receipts to both the receipts ledger and the monthly report, thus ensuring disbursements to taxing districts are accurate.

*County Clerk's Response: Had my vendor prepare a daily check sheet report of each tax bill collected & have the delinquent tax clerks along with the bookkeeper to assure all fees are correct & that all fees match at end of month.*

