REPORT OF THE AUDIT OF THE PULASKI COUNTY CLERK

For The Year Ended December 31, 2020

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

THIS PAGE LEFT BLANK INTENTIONALLY

MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Steven B. Kelley, Jr., 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, 2020, 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.

209 St. Clair Street
Frankfort, KY 40601-1817
Telephone 502.564.5841
Facsimile 502.564.2912
www.auditor.ky.gov

The Honorable Steven B. Kelley, Jr., 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 the Pulaski County Clerk, as of December 31, 2020, 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, 2020, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2021, 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 Pulaski County Clerk'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:

2020-001 The Pulaski County Clerk Did Not Segregate Duties Over All Accounting Functions
2020-002 The Pulaski County Clerk's Fourth Quarter Financial Report Was Not Accurate

Respectfully submitted,

Mike Harmon
Auditor of Public Accounts

October 21, 2021

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

For The Year Ended December 31, 2020

Receipts		
Federal Grant		$ 7,635
State Fees For Services		23,985
State Microfilming Grant		26,100
Fiscal Court		14,583
Licenses and Taxes:		
Motor Vehicle-		
Licenses and Transfers	$ 2,603,058	
Usage Tax	10,620,133	
Tangible Personal Property Tax	5,553,297	
Notary Fees	8,994	
Clerk Lien Fees	28,922	
Other-		
Placard Income	11,340	
Marriage Licenses	23,100	
Deed Transfer Tax	334,092	
Delinquent Tax	764,567	19,947,503
Fees Collected for Services:		
Recordings-		
Deeds, Easements, and Contracts	178,503	
Real Estate Mortgages	307,155	
Chattel Mortgages and Financing Statements	177,230	
Powers of Attorney	20,841	
Affordable Housing Trust Fund	84,360	
All Other Recordings	222,451	
Charges for Other Services-		
Copywork	46,100	
Postage	42,812	
Delinquent Tax Releases	1,830	
Convenience Fees	35,497	
Refunds	47,086	1,163,865

PULASKI COUNTY
LINDA BURNETT, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2020
(Continued)

Receipts (Continued)			
Other:			
Miscellaneous			$ 711
Interest Earned			6,992
Total Receipts			21,191,374
Disbursements			
Payments to State:			
Motor Vehicle-			
Licenses and Transfers	$ 1,818,369		
Usage Tax	10,301,705		
Tangible Personal Property Tax	2,235,993		
Licenses, Taxes, and Fees-			
Delinquent Tax	89,252		
Legal Process Tax	67,240		
Affordable Housing Trust Fund	84,360	$ 14,596,919	
Payments to Fiscal Court:			
Tangible Personal Property Tax	356,068		
Delinquent Tax	54,184		
Deed Transfer Tax	334,092	744,344	
Payments to Other Districts:			
Tangible Personal Property Tax	2,739,489		
Delinquent Tax	393,242	3,132,731	
Payments to Sheriff		59,578	
Payments to County Attorney		99,074	
Refunds		46,932	

PULASKI COUNTY
LINDA BURNETT, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2020
(Continued)

Disbursements (Continued)			
Operating Disbursements and Capital Outlay:			
Personnel Services-			
Deputies' Salaries	$ 1,012,311		
Contracted Services-			
Advertising	16,699		
Printing and Binding	35,971		
Maintenance and Other	32,213		
Materials and Supplies-			
Office Supplies	33,671		
Telephone	43,082		
Other Charges-			
Conventions and Travel	284		
Dues and Insurance	8,192		
Insufficient Funds Checks	1,580		
Miscellaneous	1,332		
Postage	30,922		
Credit Card Fees	26,094		
Document Storage	58,520		
Microfilming	26,100		
Capital Outlay-			
Office Equipment	26,873		
Computer Equipment	13,200	$ 1,367,044	
Debt Service:			
Lease Payments		65,446	
Total Disbursements			$ 20,112,068
Net Receipts			1,079,306
Less: Statutory Maximum			116,437
Excess Fees			962,869
Less: Expense Allowance		3,600	
Training Incentive Benefit		4,313	7,913
Excess Fees Due County for 2020			954,956
Payment to Fiscal Court - March 8, 2021			954,700
Balance Due Fiscal Court at Completion of Audit			$ 256

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2020

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 is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This basis 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 2020 services
- Reimbursements for 2020 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2020

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 clerk’s office has 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.

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 be allocated as follows: five percent will go to the member's account and one percent will go to the KRS insurance fund.

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 covered employees contribute five percent of their annual creditable compensation. Nonhazardous members also contribute 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 KRS Board of Directors 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 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.

The county's contribution rate for nonhazardous employees was 24.06 percent for the year.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS 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.

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

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

Benefits are covered under KRS 161.714 with exception of COLA and retiree health benefits after July 2003.

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous

Once members reach a minimum vesting period of 15 years, 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 by 1.5 percent. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5 percent cost of living adjustment (COLA) since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

Tier 2 member benefits are covered by KRS 161.714 with exception of COLA and retiree health benefits after July 2003. Tier 3 members are not covered by the same provisions.

C. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of KRS benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5 percent. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

D. Cost of Living Adjustments - Tier 2 and Tier 3

No COLA is given unless authorized by the legislature with specific criteria. To this point, no COLA has been authorized by the legislature for Tier 2 or Tier 3 members.

E. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KRS will pay a $5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

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

KRS Annual Financial Report and Proportionate Share Audit Report

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

KRS also issues proportionate share audit reports for both total pension liability and other post-employment benefits for CERS determined by actuarial valuation as well as each participating county's proportionate share. Both the Schedules of Employer Allocations and Pension Amounts by Employer and the Schedules of Employer Allocations and OPEB Amounts by Employer reports and the related actuarial tables are available online at https://kyret.ky.gov. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

Note 3. Deposits

The Pulaski County Clerk maintained deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The DLG Manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected 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. These requirements were met.

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 the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of December 31, 2020, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. State 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 $26,100. The clerk received interest over the course of the grant period totaling $42. During calendar year 2020, the clerk expended $26,100. The balance of $42 was transferred to the clerk's general account.

Note 5. Change Fund

The Pulaski County Fiscal Court authorized the county clerk to retain $4,800 of 2015 excess fees and $400 of 2017 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 clerk's term in office.

Note 6. Lease Agreements

The Pulaski County Clerk's office was committed to the following lease agreements as of December 31, 2020:

Item Purchased	Monthly Payment	Term Of Agreement	Ending Date	Principal Balance December 31, 2020
Mall Space	$ 1,650	48 months	12/31/2022	$ 39,600
Mailing System	304	60 months	12/31/2023	10,939
Software Service	3,125	48 months	12/31/2022	75,000
Totals	$ 5,079			$ 125,539

Note 7. Fiduciary Account – Escrow Account

The county clerk deposited unrefundable duplicate payments and unexplained receipts in a non-interest bearing account. When statutorily required, the county clerk will turn over the escrowed funds to the Kentucky State Treasurer as unclaimed property. The clerk's escrowed amounts were as follows:

2017	$2,066
2018	$572
2019	$230

Note 8. On Behalf Payments

The Pulaski County Fiscal Court pays the county clerk's training incentive as reflected on the county clerk's financial statement. For the year ended December 31, 2020, the fiscal court's contributions recognized by the county clerk included the amounts that were based on the training incentive as required by KRS 64.5275. The Pulaski County Clerk recognized receipts from the fiscal court and disbursements for the training incentive benefit of $4,313 for the year ended December 31, 2020.

Note 9. Federal Grant

The Pulaski County Clerk's office received $7,635 federal awards for the Help America Vote Act. HAVA was passed by the U.S. Congress in 2002 to make sweeping reforms to the nation's voting process. HAVA addresses improvements to voting systems and voter access that were identified following the 2000 election.

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 Steven B. Kelley, Jr., 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, 2020, and the related notes to the financial statement and have issued our report thereon dated October 21, 2021. 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) as a basis for designing 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.

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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control, which are described in the accompanying Schedule of Findings and Responses as items 2020-001 and 2020-002 that we consider to be significant deficiencies.

209 St. Clair Street
Frankfort, KY 40601-1817
Telephone 502.564.5841
Facsimile 502.564.2912
www.auditor.ky.gov

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 financial statement. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Views of Responsible Official and Planned Corrective Action

The Pulaski 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 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,

Mike Harmon
Auditor of Public Accounts

October 21, 2021

SCHEDULE OF FINDINGS AND RESPONSES

THIS PAGE LEFT BLANK INTENTIONALLY

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

For The Year Ended December 31, 2020

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES:

2020-001 The Pulaski County Clerk Did Not Segregate Duties Over All Accounting Functions

This is a repeat finding and was in the prior year audit report as finding 2019-001. The county clerk's bookkeepers do not collect cash but do recount the cash after each deputy balances their individual cash drawers with the computer-prepared daily checkout sheet. The county clerk's software converts the information from the state point of sale system into the receipts ledger. The bookkeepers are responsible for preparing a consolidated daily checkout sheet, preparing the deposit ticket, preparing adjusting entries to the ledgers, preparing monthly bank reconciliations, preparing all disbursements (with the exception of payroll), and preparing all monthly and quarterly reports. The two bookkeepers are scheduled to rotate their duties each week. The county clerk has also implemented compensating controls over disbursements, such as dual signatures, with the county clerk's being one of those signatures the majority of the time and requiring the bank to include the endorsement side of checks with the bank statements. Also, the county clerk signs all the weekly, monthly and quarterly reports prior to signing the disbursements and initials the usage tax call-in log sheet. However, no evidence of other reviews such as review of bank reconciliations, comparison of the daily checkouts, weekly reports, monthly reports, or the quarterly financial report to the receipts and disbursements ledgers was found.

The county clerk stated that a limited budget and other duties within the office kept her from providing adequate oversight. The lack of segregation of duties or implemented compensating controls could have resulted in inaccurate financial reporting to the Department for Local Government and the Pulaski County Fiscal Court.

Proper segregation of duties over various accounting functions such as preparing deposits, recording receipts and disbursements, and preparing monthly reports, or implementing additional oversight is essential for providing protection from asset misappropriation and inaccurate financial reporting. Furthermore, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the county clerk segregate duties over all accounting functions. If segregation of duties is not possible, strong oversight to ensure accuracy should be provided by an individual who did not prepare the report or disburse

County Clerk's Response: Will have the chief deputy clerk and the bookkeeper overseeing the reconciliation of the bank statements verses receipts and disbursements from ledgers starting immediately for the 2021 year.

PULASKI COUNTY
LINDA BURNETT, COUNTY CLERK
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2020
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES: (Continued)

2020-002: The Pulaski County Clerk's Fourth Quarter Financial Report Was Not Accurate

The Pulaski County Clerk has weak internal controls over the recordkeeping and reporting functions of the office. As a result, the fourth quarter financial report was not accurate and required numerous adjustments and reclassifications. The following errors were noted:

- The fourth quarter financial report did not agree to the receipts and disbursements ledgers requiring adjustments of $93,879 and $39,187 to receipts and disbursements, respectively.
- The disbursements ledger included checks totaling $12,089 which were voided; however, never deducted from the total.
- One check was recorded as $1,159; however, the actual amount of the cancelled check was $11,588, for a variance of $10,429.
- Deed transfer tax on the fourth quarter financial report did not include the third quarter payment of $97,760; however, it did include a payment of $23,742 which was for the Affordable Housing Trust Fund (AHTF). This payment was also correctly recorded as AHTF disbursements. Therefore, an adjustment of $74,018 to deed transfer tax was required.
- Many other reclassifications and adjustments were necessary to reconcile to the bank.
- Bank reconciliations were prepared each month; however, they were not compared to the book balance per the accounting records, which would detect errors.

The county clerk stated that a limited budget and other duties within the office kept her from providing adequate oversight. Due to weak internal controls over the recordkeeping and reporting functions, the aforementioned errors occurred without being detected and corrected. Furthermore, there is an increased risk of misappropriation and inaccurate financial reporting.

Good internal controls promote good business practices providing reasonable assurance that financial records and reports are accurate. The lack of effective internal controls increases the risk that errors and fraud are detected late or possibly remain undetected.

We recommend the county clerk implement control procedures to ensure amounts reported on the quarterly financial report are accurate and properly classified.

County Clerk's Response: Beginning immediately 2 employees will be reviewing reports and balancing. Chief Deputy Clerk [name redacted] will be checking the accuracy of all the financial reports.