

**REPORT OF THE AUDIT OF THE  
TAYLOR COUNTY  
CLERK**

**For The Year Ended  
December 31, 2019**



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

The Honorable Barry T. Smith, Taylor County Judge/Executive  
The Honorable Mark Carney, Taylor County Clerk  
Members of the Taylor 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 Taylor County, Kentucky, for the year ended December 31, 2019, 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 Barry T. Smith, Taylor County Judge/Executive  
The Honorable Mark Carney, Taylor County Clerk  
Members of the Taylor 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 Taylor 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 Taylor County Clerk, as of December 31, 2019, 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 Taylor County Clerk for the year ended December 31, 2019, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2020, on our consideration of the Taylor 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 Taylor County Clerk's internal control over financial reporting and compliance.

The Honorable Barry T. Smith, Taylor County Judge/Executive  
The Honorable Mark Carney, Taylor County Clerk  
Members of the Taylor 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:

- 2019-001 The Taylor County Clerk's Office Lacks Adequate Segregation Of Duties
- 2019-002 The Taylor County Clerk Did Not Deposit Funds Intact Daily
- 2019-003 The Taylor County Clerk Did Not Adhere To The Fiscal Court's *Personnel Policies And Procedures Handbook* Or Implement His Own Written Policy
- 2019-004 The Taylor County Clerk Did Not Have Adequate Controls Over Payroll

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

November 6, 2020

TAYLOR COUNTY  
 MARK CARNEY, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2019

Receipts

State and Fiscal Court:			
Preparing and Printing Tax Bills	\$	6,821	
Board of Assessments		100	
Election Commission and Fee for Registering Voters		<u>7,011</u>	\$ 13,932
Fiscal Court - Employer's Share of FICA			28,305
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers		932,595	
Usage Tax		3,124,666	
Tangible Personal Property Tax		2,299,048	
Lien Fees		14,386	
Disabled Placards		5,650	
Other-			
Marriage Licenses		7,029	
Deed Transfer Tax		75,907	
Delinquent Tax		267,264	
Delinquent Tax Sale Deposits		<u>66,922</u>	6,793,467
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		13,963	
Real Estate Mortgages		37,940	
Chattel Mortgages and Financing Statements		67,962	
Powers of Attorney		2,956	
Affordable Housing Trust		25,344	
All Other Recordings		30,608	
Charges for Other Services-			
Copy Work		3,108	
Delinquent Tax Sale Registration Fees		<u>2,280</u>	184,161
Other:			
Return Checks		2,874	
Miscellaneous		<u>1,263</u>	4,137
Interest Earned			<u>3,303</u>
Total Receipts			7,027,305

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



TAYLOR COUNTY  
 MARK CARNEY, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2019  
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 642,816	
Usage Tax	3,030,794	
Tangible Personal Property Tax	830,382	
Boat Registration Fees	4,004	
Disabled Placards	4,520	
Licenses, Taxes, and Fees-		
Delinquent Tax	31,321	
Legal Process Tax	23,453	
Affordable Housing Trust	25,344	\$ 4,592,634

Payments to Fiscal Court:

Tangible Personal Property Tax	143,948	
Delinquent Tax	20,716	
Deed Transfer Tax	72,115	236,779

Payments to Other Districts:

Tangible Personal Property Tax	1,232,768	
Delinquent Tax	157,182	1,389,950

Payments to Sheriff
 6,562 |  |

Payments to County Attorney
 27,870 |  |

Tax Bill Preparation
 4,478 |  |

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	257,412	
Part-Time Salaries	9,915	
Overtime	1,500	

Employee Benefits-

Employer's Share Social Security	28,334	
Employer's Paid Health Insurance	77,803	

Contracted Services-

Computer Services	8,240	
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The accompanying notes are an integral part of this financial statement.

TAYLOR COUNTY  
 MARK CARNEY, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2019  
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Materials and Supplies-			
Office Expense	\$	11,635	
Other Charges-			
Conventions and Travel		2,239	
Dues		1,380	
Refunds		131	
Delinquent Tax Sale Deposit Refunds		66,922	
Credit/Debit Card Charges		18,882	
Miscellaneous Refunds and Return Checks		4,690	
Cash Drawers Repaid 2018 Fee Account		1,159	
Capital Outlay-			
Office Equipment		459	\$ 490,701
Total Disbursements			<u>\$ 6,748,974</u>
Net Receipts			278,331
Less: Statutory Maximum			<u>94,862</u>
Excess Fees			183,469
Less: Expense Allowance		3,600	
Training Incentive Benefit		<u>4,216</u>	<u>7,816</u>
Excess Fees Due County for 2019			175,653
Payment to Fiscal Court - March 7, 2020			<u>174,500</u>
Balance Due Fiscal Court at Completion of Audit*			<u><u>\$ 1,153</u></u>

\* - The county clerk presented a check to the fiscal court for excess fees on September 23, 2020.

TAYLOR COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2019

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 2019 services
- Reimbursements for 2019 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2019

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.

TAYLOR COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2019  
 (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 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 21.48 percent for the first half of the year and 24.06 percent for the second half of 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:

<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%

TAYLOR COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2019  
 (Continued)

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

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

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

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.

TAYLOR COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2019  
(Continued)

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 Taylor County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the county clerk's deposits may not be returned. The county clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of December 31, 2019, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Custodial Account - Lien Release Account

The Taylor County Clerk's office maintains a lien release account as required by KRS 376.100, which is used to account for monies held by the county clerk's office pending court adjudication. This account is custodial in nature. This account was established on May 24, 2019. During calendar year 2019, this account had receipts of \$4,500 and no disbursements, leaving a balance of \$4,500, as of December 31, 2019.

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*

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

The Honorable Barry T. Smith, Taylor County Judge/Executive  
The Honorable Mark Carney, Taylor County Clerk  
Members of the Taylor 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 Taylor County Clerk for the year ended December 31, 2019, and the related notes to the financial statement and have issued our report thereon dated November 6, 2020. The Taylor 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 Taylor 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 Taylor County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Taylor 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 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 deficiencies described in the accompanying Schedule of Findings and Responses as items 2019-001, 2019-002, and 2019-003 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)

**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 Schedule of Findings and Responses as item 2019-004 to be a significant deficiency.

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Taylor 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 Schedule of Findings and Responses as items 2019-002, 2019-003, and 2019-004.

**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 line extending to the right.

Mike Harmon  
Auditor of Public Accounts

November 6, 2020

## SCHEDULE OF FINDINGS AND RESPONSES

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TAYLOR COUNTY  
MARK CARNEY, COUNTY CLERK  
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2019

FINANCIAL STATEMENT FINDINGS:

2019-001 The Taylor County Clerk's Office Lacks Adequate Segregation Of Duties

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This is a repeat finding and was included in the prior year audit report as finding 2018-001. The deputy who prepares the daily checkout sheet also collects money, prepares the daily deposit, and posts to the ledger. The county clerk also performs these duties. Another deputy and the county clerk jointly prepare the quarterly financial reports. The county clerk prepares, signs, and posts all disbursements. The county clerk performs bank reconciliations. No reviews of any records, ledgers, or reports were documented.

The lack of segregation of duties occurred because the county clerk failed to segregate incompatible duties. According to the county clerk, the county clerk cannot hire additional employees to allow segregation of duties due to budget limitations. The limited number of employees restricts how the county clerk can delegate duties. This deficiency increases the risk of misappropriation of assets, errors and inaccurate financial reporting.

Adequate segregation of duties over receipts, disbursements, and the reconciliation process would prevent the same person from having a significant role in these incompatible functions. The county clerk can implement oversight when duties cannot be segregated.

We recommend the county clerk segregate duties over receipts, disbursements, and reconciliations. If segregation of duties is not feasible due to lack of staff, we recommend the county clerk implement and document strong oversight over incompatible functions. The person providing this oversight should document his or her review by initialing all source documentation.

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

2019-002 The Taylor County Clerk Did Not Deposit Funds Intact Daily

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This is a repeat finding and was included in the prior year audit report as finding 2018-002. This finding has been included in the audit report since calendar year 2008. The Taylor County Clerk did not deposit all funds collected intact daily. The county clerk's daily checkout sheets show each day's cash on hand is different. In addition, the county clerk leaves the daily cash receipts overnight in the office and makes the deposit the next day. This practice would normally be acceptable; however, the cash drawers are housed in a wooden cabinet in a locked room.

This deficiency is allowed to occur because it is the county clerk's policy to only deposit larger cash bills and checks, leave all change and smaller cash bills for startup cash, and to keep the cash drawers in the locked room overnight.

As a result of not depositing funds intact daily, the county clerk is not in compliance with guidelines set forth by the state local finance officer and increases the risk of possible theft. Also, if a fire were to occur due to electrical wiring in the locked room, the wooden cabinet would be destroyed, along with all monies contained within. For the week tested, the following was noted:

- Receipts of \$95 were not deposited on June 24, 2019.
- Receipts of \$28 were not deposited on June 25, 2019.
- Receipts of \$65 were not deposited on June 26, 2019.
- Receipts of \$59 were not deposited on June 27, 2019.
- Additional receipts of \$252 were deposited on June 28, 2019.
- Receipts of \$75 were not deposited on June 29, 2019.

TAYLOR COUNTY  
 MARK CARNEY, COUNTY CLERK  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2019  
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-002 The Taylor County Clerk Did Not Deposit Funds Intact Daily (Continued)

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The Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* recommends the minimum requirements for handling public funds pursuant to KRS 68.210. The manual requires "daily deposits intact into a federally insured banking institution." Good internal controls dictate the practice of making daily deposits reduces the risk of misappropriation of cash, which is the asset most subject to possible theft. Additionally, when deposits are not made timely, the risk that the bank account can be overdrawn is increased.

We recommend the county clerk make daily deposits intact and leave a set amount in each of the cash drawers as startup monies each day. We also recommend the clerk either take the daily deposit to the bank overnight for safekeeping or house in a fire proof safe in his office until the deposit can be made the next morning.

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

2019-003 The Taylor County Clerk Did Not Adhere To The Fiscal Court's *Personnel Policies And Procedures Handbook* Or Implement His Own Written Policy

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This is a repeat finding and was included in the prior year audit report as finding 2018-003. The Taylor County Clerk did not adhere to the Taylor County Fiscal Court's *Personnel Policies and Procedures Handbook* or implement his own written policy. The county clerk's office employees were granted vacation leave according to fiscal court's policy; however, sick leave balances were not in accordance with fiscal court's policy.

Per the county clerk, he allows each employee to receive 12 sick/personal leave days per year, which complies with fiscal court's policy. He only allows his employees to carry a maximum total of 30 days (240 hours) over into the next year. He also allows each employee to bank a maximum of six unused days (48 hours) for the year. Bank days can only be used in case of surgery, illness, or retirement. Any unused hours in excess of six bank days and hours that should be carried to the next year are lost.

Since the county clerk is not following fiscal court's policy, his employees are not receiving the full benefits of being a county employee.

Taylor County Fiscal Court's *Personnel Policies and Procedures Handbook* states, "Employees hired prior to 7/1/11 may carry forward 968 hours of accumulated sick leave for retirement through Kentucky Retirement Systems. These hours will be used to extend the employees retirement date, wages and benefits from Taylor County Fiscal Court. At time of retirement any additional hours accumulated above the 968 will be forfeited." Good internal controls dictate the county clerk follow either the Taylor County Fiscal Court's policy or implement his own.

We recommend the county clerk adhere to the Taylor County Fiscal Court's *Personnel Policies and Procedures Handbook* or implement his own written policy.

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

TAYLOR COUNTY  
 MARK CARNEY, COUNTY CLERK  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2019  
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-004 The Taylor County Clerk Did Not Have Adequate Controls Over Payroll

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This is a repeat finding and was included in the prior year audit report as finding 2018-005. The Taylor County Clerk required full time deputies to maintain timesheets; however, the hours did not always reflect the actual hours worked by the employees for pay period tested.

- The county clerk allows deputies who work four hours on Saturday to have an eight hour day off during the same week and pays the employee double time for Saturday.
- Full time employees show they worked eight hours on their timesheets the day of the primary election. They were paid their regular pay rate on the eight hours and also received \$100 listed on the paycheck as “Election Bonus” for working the day of the primary election.
- Full time employees show they worked 10.50 hours on their timesheets the day of the general election. They were paid their regular pay rate on the eight hours and also received \$100 listed on paycheck as “Election Bonus” for working the day of the general election. Overtime was not calculated for this pay period. If overtime had been calculated, employees would have been overpaid \$100, \$39, \$40, \$30, \$53, \$63, \$18, and \$43.
- The county clerk paid employees in 31 instances in advance of end of pay periods during calendar year 2019. Employees were paid one day to 12 days in advance.

These deficiencies occurred due to the county clerk not having a written policy stating his office hours and work schedule. Also these deficiencies occurred due to the county clerk not adhering to the Taylor County Fiscal Court’s *Personnel Policies and Procedures Handbook* and state statutes. As a result of inaccurate timesheets, employees could be paid for more or less hours than actually worked especially if overtime is worked during elections.

Good internal controls dictate timesheets should be reviewed for accuracy by immediate supervisor and recalculated by someone other than the preparer after employees sign timesheets documenting hours worked. KRS 337.320(1) states, in part, “[e]very employer shall keep a record of: ... (b) The hours worked each day and each week by each employee[.]” KRS 337.285(1) requires employers to pay employees for hours worked in excess of forty hours in a work week at a rate of not less than one and one-half (1-1/2) times the hourly wage rate at which he is employed. In addition, the Taylor County Fiscal Court’s *Personnel Policies and Procedures Handbook* requires “employees should accurately record the time they begin and end their work” and non-exempt employees to “be paid at the rate of one and one-half their regular hourly rate of pay for all time worked in excess of 40 hours in any one workweek.”

KRS 45.340 states, in part, “[c]hecks shall be tendered to an officer or an employee only after he has completed the work for which he is being paid and not later than fifteen (15) days after the designated pay period...” In addition, the Department for Local Government’s *County Budget Preparation and State Local Finance Officer Policy Manual* recommends the minimum requirements for handling public funds pursuant to KRS 68.210. The manual states “[n]o bonuses, no prepayment for goods or services, and no contributions. (Section 3, Kentucky Constitution)”

TAYLOR COUNTY  
MARK CARNEY, COUNTY CLERK  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended December 31, 2019  
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-004 The Taylor County Clerk Did Not Have Adequate Controls Over Payroll (Continued)

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We recommend the following:

- All employees should prepare and sign a timesheet each period indicating the actual hours worked and any sick or vacation leave taken.
- The county clerk should adhere to fiscal court's policy or implement his own written policy including his office hours and work schedule.
- The county clerk should not pay bonuses to employees.
- The county clerk should not pay employees before end of pay period.

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