

**REPORT OF THE AUDIT OF THE
INTERIM BOYD COUNTY
CLERK**

**For The Period
April 1, 2020 through November 15, 2020**



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

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

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS	3
NOTES TO FINANCIAL STATEMENT	6
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	13
SCHEDULE OF FINDINGS AND RESPONSES	17

THIS PAGE LEFT BLANK INTENTIONALLY



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Eric Chaney, Boyd County Judge/Executive
The Honorable Susan Campbell, Interim Boyd County Clerk
The Honorable Kevin Johnston, Boyd County Clerk
Members of the Boyd 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 interim County Clerk of Boyd County, Kentucky, for the period April 1, 2020 through November 15, 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.



The Honorable Eric Chaney, Boyd County Judge/Executive
The Honorable Susan Campbell, Interim Boyd County Clerk
The Honorable Kevin Johnston, Boyd County Clerk
Members of the Boyd 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 interim Boyd 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 interim Boyd County Clerk, for the period April 1, 2020 through November 15, 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 interim Boyd County Clerk for the period April 1, 2020 through November 15, 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 June 23, 2022, on our consideration of the interim Boyd 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 interim Boyd 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 Interim Boyd County Clerk's Fourth Quarter Financial Report Was Not Submitted Timely And Was Materially Inaccurate
- 2020-002 The Interim Clerk Did Not Have Adequate Internal Controls, Review, And Oversight Procedures For Receipts And Disbursements

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

June 23, 2022

BOYD COUNTY
SUSAN CAMPBELL, INTERIM COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Period April 1, 2020 Through November 15, 2020

Receipts

Federal Grants	\$	23,040
----------------	----	--------

Fiscal Court		67,795
--------------	--	--------

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	871,764
------------------------	----	---------

Usage Tax		3,592,398
-----------	--	-----------

Tangible Personal Property Tax		3,145,663
--------------------------------	--	-----------

Notary Fees		7,153
-------------	--	-------

Other-

Fish and Game Licenses		732
------------------------	--	-----

Marriage Licenses		8,000
-------------------	--	-------

Application Fee		3,156
-----------------	--	-------

Lien Release Fee		7,884
------------------	--	-------

Deed Transfer Tax		88,256
-------------------	--	--------

Delinquent Tax		1,042,724	8,767,730
----------------	--	-----------	-----------

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts		32,537
---------------------------------	--	--------

Real Estate Mortgages		86,507
-----------------------	--	--------

Chattel Mortgages and Financing Statements		75,032
--	--	--------

Powers of Attorney		3,500
--------------------	--	-------

Affordable Housing Trust		27,894
--------------------------	--	--------

All Other Recordings		74,942
----------------------	--	--------

Charges for Other Services-

Candidate Filing Fees		960
-----------------------	--	-----

Copywork		4,703
----------	--	-------

Postage		12,171
---------	--	--------

Miscellaneous Forms Fees		12,575
--------------------------	--	--------

Vehicle Inspections		12,935
---------------------	--	--------

Storage Fees		48,650	392,406
--------------	--	--------	---------

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

BOYD COUNTY
 SUSAN CAMPBELL, INTERIM COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Period April 1, 2020 Through November 15, 2020
 (Continued)

Receipts (Continued)

Other:

Refunds/Overpayments	\$	62,098	
NSF Serv Chg - Received/Dtax Regis		24,253	
Web Renewals		<u>4,557</u>	\$ 90,908
Miscellaneous Income			25,012
Interest Earned			<u>356</u>
Total Receipts			9,367,247

Disbursements

Payments to State:

Motor Vehicle-			
Licenses and Transfers	\$	610,831	
Usage Tax		3,484,626	
Tangible Personal Property Tax		1,124,016	
Licenses, Taxes, and Fees-			
Fish and Game Licenses		688	
Delinquent Tax		89,242	
911 Fees		285	
Legal Process Tax		23,315	
Candidate Filing Fees		265	
Affordable Housing Trust		<u>27,894</u>	5,361,162
Payments to Fiscal Court:			
Tangible Personal Property Tax		185,763	
Delinquent Tax		139,634	
Deed Transfer Tax		<u>66,563</u>	391,960
Payments to Other Districts:			
Tangible Personal Property Tax		1,713,993	
Delinquent Tax		<u>497,922</u>	2,211,915
Payments to Sheriff			91,139

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

BOYD COUNTY
 SUSAN CAMPBELL, INTERIM COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Period April 1, 2020 Through November 15, 2020
 (Continued)

Disbursements (Continued)

Payments to County Attorney	\$	137,725	
Operating Disbursements and Capital Outlay:			
Contracted Services-			
Machine Maint Agreements	\$	810	
Other Charges-			
Bank Charges		899	
Refunds		68,553	
Dues		2,712	
Insurance and Bonds		630	
Miscellaneous		24,972	
Postage		1,053	
Vehicle Inspections		11,900	
Elections		39,493	
CARES Act Funds from FC		<u>23,040</u>	<u>174,062</u>
Total Disbursements			<u>\$ 8,367,963</u>
Net Receipts			999,284
Less: Statutory Maximum			<u>60,645</u>
Excess Fees			938,639
Less: Expense Allowance			<u>2,250</u>
Excess Fees Due County for the period April 1, 2020 through November 15, 2020			936,389
Payments to Fiscal Court - Monthly			<u>932,178</u>
Balance Due Fiscal Court at Completion of Audit			<u>\$ 4,211</u>

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

BOYD COUNTY
NOTES TO FINANCIAL STATEMENT

November 15, 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 November 15 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for services in the period April 1, 2020 through November 15, 2020 (period)
- Reimbursements for period activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in the period

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).

D. Fee Pooling

The Boyd County Clerk's office is required by the fiscal court to participate in a fee pooling system. Fee officials who are required to participate in fee pooling deposit all funds collected into their official operating account. The county clerk is responsible for paying all amounts collected for others and applicable refunds to customers. Residual funds are then paid to the county treasurer on a monthly basis. Invoices are submitted to the county treasurer to document operating expenses. The fiscal court pays all operating expenses for the fee official.

BOYD COUNTY
 NOTES TO FINANCIAL STATEMENT
 November 15, 2020
 (Continued)

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.

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 period April 1, 2020 through June 30, 2020 and 26.95 percent for the period July 1, 2020 through November 15, 2020.

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%

BOYD COUNTY
NOTES TO FINANCIAL STATEMENT
November 15, 2020
(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 78.5536.

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 78.5536. 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.

BOYD COUNTY
 NOTES TO FINANCIAL STATEMENT
 November 15, 2020
 (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 interim Boyd 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 interim Boyd County Clerk did not have a deposit policy for custodial credit risk, but rather followed the requirements of the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of November 15, 2020, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Federal Grant

The Boyd County Clerk's office received a CARES Act (Help America Vote) grant passed through the state via the Kentucky State Board of Elections in the amount of \$28,821. All grant funds were spent during the year, and the grant balance was \$0 as of November 15, 2020.

Note 5. Lease Agreement

- A. The Boyd County Clerk's office was committed to a lease agreement for computer hardware and software. The agreement requires a monthly payment of \$5,394 for 24 months and was completed on July 31, 2020. The fiscal court paid the lease and the lease was not renewed.
- B. The Boyd County Clerk's office was committed to a lease agreement for the Ashland branch office. The agreement requires a payment of \$915 for 60 months and was completed on July 31, 2020. The fiscal court paid the lease and the lease was not renewed.

BOYD COUNTY
NOTES TO FINANCIAL STATEMENT
November 15, 2020
(Continued)

Note 6. On Behalf Payments

The Boyd County Clerk's office is required by the fiscal court to participate in a fee pooling system. Since the county clerk is fee pooling, the fiscal court pays the county clerk's statutory maximum salary and expense allowance as reflected on the county clerk's financial statement. For the period April 1, 2020 through November 15, 2020, the fiscal court's contributions recognized by the county clerk included the amounts that were based on the statutory maximum as required by KRS 64.5275. The interim Boyd County Clerk recognized receipts from the fiscal court and disbursements for the statutory maximum salary of \$60,645 and expense allowance of \$2,250 for the period April 1, 2020 through November 15, 2020.

Note 7. Subsequent Event

The interim county clerk left office on November 15, 2020 and the newly elected county clerk took office on November 16, 2020.

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 Eric Chaney, Boyd County Judge/Executive
The Honorable Susan Campbell, Interim Boyd County Clerk
The Honorable Kevin Johnston, Boyd County Clerk
Members of the Boyd 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 interim Boyd County Clerk for the period April 1, 2020 through November 15, 2020, and the related notes to the financial statement and have issued our report thereon dated June 23, 2022. The interim Boyd 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 interim Boyd 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 interim Boyd County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the interim Boyd 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 2020-001 and 2020-002 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 interim Boyd 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2020-001.

Views of Responsible Official and Planned Corrective Action

The interim Boyd 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 interim Boyd 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

June 23, 2022

SCHEDULE OF FINDINGS AND RESPONSES

THIS PAGE LEFT BLANK INTENTIONALLY

BOYD COUNTY
SUSAN CAMPBELL, INTERIM COUNTY CLERK
SCHEDULE OF FINDINGS AND RESPONSES

For The Period April 1, 2020 Through November 15, 2020

FINANCIAL STATEMENT FINDINGS:

2020-001 The Interim Boyd County Clerk's Fourth Quarter Financial Report Was Not Submitted Timely
 And Was Materially Inaccurate

The interim county clerk did not submit her fourth quarter report to the Department for Local Government (DLG) timely. The interim clerk's fourth quarter report was not submitted until April 28, 2022, after the audit had commenced. Further, the fourth quarter report submitted to DLG was materially inaccurate reflecting posting discrepancies that required multiple audit reclassifications and adjustments. Adjustments of \$312,356 were made to the receipts ledger and of \$245,451 to the disbursements ledger.

The interim county clerk did not know the requirements. She left office halfway through the fourth quarter of 2020, therefore, she believed that a fourth quarter report was not required. Further, the interim county clerk did not have controls in place to ensure that staff knew the requirements or did not monitor and review to make sure requirements were followed. Proper controls were not in place to detect or correct mispostings. In addition, the interim county clerk and her bookkeeper were new during the calendar year and lacked experience to know how to properly classify different types of transactions.

Failure to submit required reports prevents proper oversight from the Department for Local Government. Mispostings increase the risk of uncorrected errors, theft, loss, or misappropriated assets. Material audit reclassifications and adjustments were necessary to accurately reflect the activity of the county clerk's office.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. This system of accounts requires that fee official quarterly financial report should be submitted by the 30th day following the close of each quarter. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*. The manual requires the clerk to prepare a quarterly report which includes total receipts and total disbursements on a cash basis per line-item category. In addition, good internal control procedures would detect errors in daily posting to ledgers, reducing the risk of misappropriation and inaccurate financial reporting.

We recommend the county clerk's office ensure that they are complying with the Department for Local Government's manual. We also recommend the county clerk's office review reclassifications and adjustments and develop policies for posting transactions to ensure that receipts and disbursements are categorized correctly on ledgers and quarterly reports.

County Clerk's Response: New clerk took office on 11/13/20, causing intermingling of all 4th quarters funds, then changed out computer system – Bookkeeper could not access old system to reconcile or make any corrections. Spring of 2022 was finally allowed into old system and got everything straightened out. Motor Vehicle Dept & Delinquent tax Dept. had made changes to reports without notifying clerk or Bookkeeper. When straightened out it was submitted, unfortunately audit was in progress and reclassifications were made.

BOYD COUNTY
 SUSAN CAMPBELL, INTERIM COUNTY CLERK
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Period April 1, 2020 Through November 15, 2020
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-002 The Interim Clerk Did Not Have Adequate Internal Controls, Review, And Oversight Procedures For Receipts and Disbursements

The interim Boyd County Clerk did not implement adequate controls, review, and oversight procedures for receipts and disbursements. The following issues were noted during the audit:

- The interim clerk's bookkeeper posted to the receipts and disbursements ledger and performed bank reconciliations, however, there was no documentation of these items being reviewed by someone not involved in their creation.
- The lack of controls over receipts led to material discrepancies as noted in finding 2020-001.
- Usage tax, tangible personal property tax, and license fees were not accurate on the fourth quarter financial report as noted during the motor vehicle registration audit and in finding 2020-001.
- Adequate recordkeeping was not maintained. Auditors were provided with multiple copies of ledgers and financial reports that did not agree.

The interim clerk did not have controls in place to ensure that staff knew the requirements or did not monitor and review to make sure requirements were followed. Without sufficient authorization or review, receipts and disbursements could be posted incorrectly and/or misappropriated. The interim county clerk's fourth quarter financial report submitted to the Department for Local Government was inaccurate. Bad recordkeeping increases the risk of uncorrected errors, theft, loss, or misappropriation of assets. Strong internal controls require that adequate documentation and sufficient review of all receipts and disbursements are necessary to reduce the risk of errors and misstatements. We recommend the county clerk's office implement procedures that strengthen controls over receipts and disbursements, including but not limited to, ensuring that an employee independent of the process is reviewing bank reconciliations and receipts and disbursements ledgers after they are prepared.

County Clerk's Response: We did the best we could using the people we had, delegating duties through Covid, and working short staffed. New Clerk delegated duties accordingly with staff that was available.