

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

**For The Period
November 16, 2020 through December 31, 2020**



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

The Honorable Eric Chaney, Boyd County Judge/Executive
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 County Clerk of Boyd County, Kentucky, for the period November 16, 2020 through 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.



The Honorable Eric Chaney, Boyd County Judge/Executive
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 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 Boyd County Clerk, as of December 31, 2020, or changes in financial position or cash flows thereof for the period 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 Boyd County Clerk for the period November 16, 2020 through 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 March 28, 2023, on our consideration of the 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 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 findings:

- 2020-001 The County Clerk's Fourth Quarter Financial Report Was Materially Misstated
- 2020-002 The County Clerk Did Not Have Adequate Internal Controls, Review, And Oversight Procedures For Receipts And Disbursements

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

March 28, 2023

BOYD COUNTY
KEVIN JOHNSTON, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Period November 16, 2020 Through December 31, 2020

Receipts

Federal Grant	\$	7,284
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State Fees For Services		13,744
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Fiscal Court		12,879
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	162,481
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Usage Tax		590,420
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Tangible Personal Property Tax		636,166
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Notary Fees		928
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Other-

Marriage Licenses		1,920
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Lien Release Fees		3,568
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Application Fee		603
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Deed Transfer Tax		22,692
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Delinquent Tax	5,395	1,424,173
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Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts		7,421
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Real Estate Mortgages		19,829
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Chattel Mortgages and Financing Statements		12,742
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Powers of Attorney		1,354
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Affordable Housing Trust		6,516
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All Other Recordings		22,614
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Charges for Other Services-

Copy Work		750
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Postage		1,831
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Vehicle Inspections		3,265
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Storage Fees	11,360	87,682
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The accompanying notes are an integral part of this financial statement.

BOYD COUNTY
 KEVIN JOHNSTON, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Period November 16, 2020 Through December 31, 2020
 (Continued)

Receipts (Continued)

Other:

Web Renewals	\$	4,200	
NSF Serv Chg-Received/DTAX Reg		954	
Refunds/Overpayments		3,973	
Miscellaneous		<u>2,686</u>	\$ 11,813

Interest Earned			<u>39</u>
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Total Receipts			1,557,614
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Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	105,955	
Usage Tax		572,708	
Tangible Personal Property Tax		202,132	
Licenses, Taxes, and Fees-			
Delinquent Tax		317	
Legal Process Tax		4,720	
Affordable Housing Trust		4,638	
911 Fees		<u>15</u>	\$ 890,485

Payments to Fiscal Court:

Tangible Personal Property Tax		40,160	
Delinquent Tax		742	
Deed Transfer Tax		<u>21,557</u>	62,459

Payments to Other Districts:

Tangible Personal Property Tax		368,403	
Delinquent Tax		<u>2,264</u>	370,667

Payments to Sheriff			431
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BOYD COUNTY
 KEVIN JOHNSTON, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Period November 16, 2020 Through December 31, 2020
 (Continued)

Disbursements (Continued)

Payments to County Attorney	\$	907	
Other Charges:			
Vehicle Inspection	\$	1,800	
Refunds		<u>7,238</u>	<u>9,038</u>
Total Disbursements			<u>\$ 1,333,987</u>
Net Receipts			223,627
Less: Statutory Maximum			<u>12,129</u>
Excess Fees			211,498
Less: Expense Allowance			<u>450</u>
Excess Fees Due County for November 16 through December 31, 2020			211,048
Payments to Fiscal Court - Monthly			<u>212,926</u>
Excess Fees Over Paid Fiscal Court at Completion of Audit			<u>\$ (1,878)</u>

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

BOYD 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).

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
 December 31, 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 (Ky. Ret. Syst.). 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 Ky. Ret. Syst. 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 Ky. Ret. Syst. 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 November 16, 2020 through December 31, 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
December 31, 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.

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.

C. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of Ky. Ret. Syst. 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, Ky. Ret. Syst. 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
 December 31, 2020
 (Continued)

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

Ky. Ret. Syst. Annual Financial Report and Proportionate Share Audit Report

Ky. Ret. Syst. 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.

Ky. Ret. Syst. 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 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 Boyd 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. 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 \$7,284. All grant funds were spent during the period November 16, 2020 through December 31, 2020 and the grant balance was \$0 as of December 31, 2020.

Note 5. 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 and expense allowance as reflected on the county clerk's financial statement. For the period November 16, 2020 through December 31, 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 Boyd County Clerk recognized receipts from the fiscal court and disbursements for the statutory maximum in the amount of \$12,129 and expense allowance in the amount of \$450 for the period November 16, 2020 through December 31, 2020.

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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 Eric Chaney, Boyd County Judge/Executive
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 Boyd County Clerk for the period November 16, 2020 through December 31, 2020, and the related notes to the financial statement and have issued our report thereon dated March 28, 2023. The 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 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 Boyd County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2020-001.

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", followed by a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

March 28, 2023

SCHEDULE OF FINDINGS AND RESPONSES

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BOYD COUNTY
KEVIN JOHNSTON, COUNTY CLERK
SCHEDULE OF FINDINGS AND RESPONSES

For The Period November 16, 2020 Through December 31, 2020

FINANCIAL STATEMENT FINDINGS:

2020-001 The County Clerk's Fourth Quarter Financial Report Was Materially Misstated

The county clerk's fourth quarter financial report submitted to the Department for Local Government (DLG) was materially inaccurate reflecting posting discrepancies that required multiple audit reclassifications and adjustments. Adjustments of \$197,567 were made to the receipts ledger and of \$396,529 to the disbursements ledger. Proper controls were not in place to detect or correct mispostings. In addition, the county clerk and his 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 DLG. 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. The county clerk's quarterly report submitted to DLG was inaccurate.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. This system of accounts requires the fee official quarterly financial report 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 DLG'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 ensure that he is complying with applicable statutes and DLG's manual. We also recommend the county clerk review reclassifications and adjustments and develop policies for posting transactions to ensure that receipts and disbursements are categorized correctly on his ledgers and quarterly report.

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

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

The 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 county 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 and disbursements 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 MVR audit.

BOYD COUNTY
KEVIN JOHNSTON, COUNTY CLERK
SCHEDULE OF FINDINGS AND RESPONSES
For The Period November 16, 2020 through December 31, 2020
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-002 The County Clerk Did Not Have Adequate Internal Controls, Review, And Oversight Procedures
For Receipts And Disbursements (Continued)

The county clerk did not have controls in place to ensure that staff knew and followed the requirements. In addition, the county clerk and bookkeeper were new during the calendar year and lacked experience to know how to properly classify different types of transactions. Without sufficient authorization or review, receipts and disbursements could be posted incorrectly and/or misappropriated. The county clerk's fourth quarter financial report submitted to the Department for Local Government was inaccurate and material audit reclassifications and adjustments were necessary to accurately reflect the activity of the county clerk's office. Mispostings increase 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 performed 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: The official did not provide a response.