

**REPORT OF THE AUDIT OF THE  
ELLIOTT COUNTY  
CLERK**

**For The Year Ended  
December 31, 2021**



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

**Independent Auditor's Report**

The Honorable Myron S. Lewis, Elliott County Judge/Executive  
The Honorable Jennifer Carter, Elliott County Clerk  
Members of the Elliott County Fiscal Court

**Report on the Audit of the Financial Statement**

**Opinions**

We have audited the accompanying Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the County Clerk of Elliott County, Kentucky, for the year ended December 31, 2021, and the related notes to the financial statement.

*Unmodified Opinion on Regulatory Basis of Accounting*

In our opinion, the accompanying financial statement presents fairly, in all material respects, the receipts, disbursements, and excess fees of the Elliott County Clerk for the year ended December 31, 2021, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

*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 section of our report, the financial statement does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Elliott County Clerk, as of December 31, 2021, or changes in financial position or cash flows thereof for the year then ended.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Audit Program for County Fee Officials*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Elliott County Clerk and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



The Honorable Myron S. Lewis, Elliott County Judge/Executive  
The Honorable Jennifer Carter, Elliott County Clerk  
Members of the Elliott County Fiscal Court

### **Basis for Opinion (Continued)**

#### *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 Elliott 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 and budget laws, 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 and pervasive.

### **Responsibilities of Management 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 Responsibilities for the Audit of the Financial Statement**

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit 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 Elliott County Clerk's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Elliott County Clerk's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we have identified during the audit.

The Honorable Myron S. Lewis, Elliott County Judge/Executive  
 The Honorable Jennifer Carter, Elliott County Clerk  
 Members of the Elliott County Fiscal Court

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2022, on our consideration of the Elliott 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 solely 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 effectiveness of 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 Elliott 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:

- 2021-001 The Elliott County Clerk Is Not Fulfilling Her Duties As An Elected County Official
- 2021-002 The Elliott County Clerk's Office Does Not Have Adequate Segregation Of Duties And Internal Controls Over Fee Receipts And Disbursements
- 2021-003 The Elliott County Clerk's Fourth Quarter Report Was Not Submitted To The Department For Local Government And It Contained Material Errors
- 2021-004 The Elliott County Clerk Did Not Present An Annual Settlement To The Fiscal Court
- 2021-005 The Elliott County Clerk Made 34 Late Deposits Totaling \$145,925
- 2021-006 The Elliott County Clerk Owed \$214,068 In Usage Tax To The Department Of Revenue And Has Excess Funds In Her Usage Tax Bank Account
- 2021-007 The Elliott County Clerk Did Not Pay Delinquent Taxes To Districts Timely And Owes \$59,932 To Taxing Districts
- 2021-008 The Elliott County Clerk Owes Ad Valorem Taxes To Taxing Districts In The Amount Of \$32,935
- 2021-009 The Elliott County Clerk Did Not Remit Affordable Housing Payments To The State Timely And Owes \$2,778
- 2021-010 The Elliott County Clerk Did Not Remit Legal Process Tax Payments To The State Timely And Owes \$1,913
- 2021-011 The Elliott County Clerk Did Not Comply With The County's Fee Pooling Ordinance
- 2021-012 The Elliott County Clerk Does Not Have Adequate Controls Over Non-Sufficient Funds (NSF) Checks
- 2021-013 The Elliott County Clerk Has Not Settled The 2019 Fee Account
- 2021-014 The Elliott County Clerk Has Not Settled The 2020 Fee Account

Respectfully submitted,



Mike Harmon  
 Auditor of Public Accounts  
 Frankfort, KY

November 4, 2022

ELLIOTT COUNTY  
JENNIFER CARTER, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2021

Receipts

State Revenue Supplement		\$	66,747
State Fees For Services			2,705
Fiscal Court			88,839
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	184,733	
Usage Tax		352,167	
Tangible Personal Property Tax		559,386	
Other-			
Marriage Licenses		2,272	
Lien Fees		5,680	
Deed Transfer Tax		7,204	
Delinquent Tax		<u>138,096</u>	1,249,538
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		13,364	
Real Estate Mortgages		16,266	
Chattel Mortgages and Financing Statements		16,467	
Powers of Attorney		878	
Affordable Housing Trust		2,778	
All Other Recordings		13,055	
Charges for Other Services-			
Copy Work		1,967	
Postage		939	
Miscellaneous		<u>1,187</u>	66,901
Other:			
Personal Plates		75	
Refunds/Overpayments		<u>308</u>	383
Interest Earned			<u>68</u>
Total Receipts			1,475,181

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



ELLIOTT COUNTY  
 JENNIFER CARTER, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2021  
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 128,666

Usage Tax 341,576

Tangible Personal Property Tax 209,437

Licenses, Taxes, and Fees-

Delinquent Tax 11,917

Legal Process Tax 1,913

Affordable Housing Trust 2,778 \$ 696,287

Payments to Fiscal Court:

Tangible Personal Property Tax 66,155

Delinquent Tax 11,353

Deed Transfer Tax 6,843 84,351

Payments to Other Districts:

Tangible Personal Property Tax 261,572

Delinquent Tax 70,864 332,436

Payments to Sheriff

11,437

Payments to County Attorney

18,412

Other Refunds

537

Operating Disbursements and Capital Outlay:

Other Charges-

Dues 840

Miscellaneous 11,947 12,787

Total Disbursements

\$ 1,156,247

Net Receipts

318,934

Less: Statutory Maximum

85,239

Excess Fees

233,695

Less: Expense Allowance

3,600

Excess Fees Due County for 2021

230,095

Payments to Fiscal Court - Monthly

202,947

Balance Due Fiscal Court at Completion of Audit

\$ 27,148

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

ELLIOTT COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2021

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 pay to the governing body of the county any fees, commissions, and other income of his or her office, including income from investments, which exceed the sum of his or her maximum salary as permitted by the Constitution and other reasonable expenses, including compensation of deputies and assistants by March 15 of each year. KRS 64.830 requires an outgoing clerk to make a final settlement with the fiscal court by March 15 immediately following the expiration of his or her term of office.

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) as of December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2021 services
- Reimbursements for 2021 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2021

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).

ELLIOTT COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2021  
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Fee Pooling

The Elliott 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.

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 Kentucky Public Pensions Authority (KPPA). 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 Kentucky Retirement System 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 CERS 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 first six months and 26.95 percent for the last six months.

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:

ELLIOTT COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2021  
(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)

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

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, they 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, they 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.

ELLIOTT COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2021  
 (Continued)

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

Other Post-Employment Benefits (OPEB) (Continued)

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.

Kentucky Retirement System Annual Financial Report and Proportionate Share Audit Report

Kentucky Retirement System 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.

Kentucky Retirement System 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 Elliott 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 Elliott 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, 2021, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

ELLIOTT COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2021  
(Continued)

Note 4. Lease Agreements

- A. The county clerk's office committed to a hardware lease agreement for computer equipment on March 22, 2021 through and including March 21, 2026. The agreement renews automatically for additional one-year terms thereafter at the rate in effect on renewal date, unless written notice is received from either party 90 days prior to renewal date. The fiscal court makes the annual payment of \$11,736.
- B. The county clerk's office committed to a software lease agreement for computer software license and service on March 22, 2021 through and including March 21, 2026. The agreement renews automatically for additional one-year terms thereafter at the rate in effect on such automatic renewal date, unless written notice is received from either party 90 days prior to renewal date. The fiscal court makes the monthly payment of \$800. For the first three months of 2021, prior to this new lease contract, the fiscal court paid \$750 per the agreement in place at that time.

Note 5. On Behalf Payments

The Elliott 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 year ended December 31, 2021, 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 Elliott County Clerk recognized receipts from the fiscal court and disbursements for the statutory maximum of \$85,239 and expense allowance of \$3,600 for the year ended December 31, 2021.

Note 6. Escrow Account

During 2016, the former county clerk received delinquent tax payments which were never processed. As a result, the Elliott County Clerk deposited \$2,250 into an interest bearing bank account for the unidentified delinquent tax payments. On January 1, 2020, this account had a balance of \$2,180. During calendar year 2020, this account earned \$1 of interest and incurred \$90 of bank charges, leaving a balance of \$2,091 as of December 31, 2020. These funds are eligible to be turned over to the Kentucky State Treasurer as unclaimed property.

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**

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**

The Honorable Myron S. Lewis, Elliott County Judge/Executive  
The Honorable Jennifer Carter, Elliott County Clerk  
Members of the Elliott County Fiscal Court

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 Elliott County Clerk for the year ended December 31, 2021, and the related notes to the financial statement and have issued our report thereon dated November 4, 2022. The Elliott 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 Elliott 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 Elliott County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Elliott County Clerk's internal control.

Our consideration of internal control over financial reporting 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 did identify certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 2021-001, 2021-002, 2021-003, 2021-004, 2021-005, 2021-006, and 2021-007 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 deficiencies described in the accompanying Schedule of Findings and Responses as items 2021-008, 2021-009, 2021-010, 2021-011, 2021-012, 2021-013, and 2021-014 to be significant deficiencies.

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Elliott 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 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 2021-001, 2021-003, 2021-004, 2021-005, 2021-006, and 2021-007.

**Views of Responsible Official and Planned Corrective Action**

The Elliott 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 Elliott 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 dark ink, appearing to read "Mike Harmon", with a long horizontal flourish extending to the right.

Mike Harmon  
Auditor of Public Accounts  
Frankfort, KY

November 4, 2022

## SCHEDULE OF FINDINGS AND RESPONSES

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ELLIOTT COUNTY  
JENNIFER CARTER, COUNTY CLERK  
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2021

FINANCIAL STATEMENT FINDINGS:

2021-001    The Elliott County Clerk Is Not Fulfilling Her Duties As An Elected County Official

This is a repeat finding and was included in the prior year audit report as finding 2020-001. The county clerk is not fulfilling her duties as an elected county official. The county clerk is not meeting these requirements and other statutory requirements. We have noted the following findings, which are detailed in the subsequent findings:

- The Elliott County Clerk's Office Does Not Have Adequate Segregation Of Duties And Internal Controls Over Fee Receipts And Disbursements
- The Elliott County Clerk's Fourth Quarter Report Was Not Submitted To The Department For Local Government And It Contained Material Errors
- The Elliott County Clerk Did Not Present An Annual Settlement To The Fiscal Court
- The Elliott County Clerk Made 34 Late Deposits Totaling \$145,925
- The Elliott County Clerk Owed \$214,068 To The Department Of Revenue And Has Excess Funds In Her Usage Tax Bank Account
- The Elliott County Clerk Did Not Pay Delinquent Taxes To Districts Timely And Owes \$59,932 To Taxing Districts
- The Elliott County Clerk Owes Ad Valorem Taxes To Taxing Districts In The Amount Of \$32,935
- The Elliott County Clerk Did Not Remit Affordable Housing Payments To The State Timely And Owes \$2,778
- The Elliott County Clerk Did Not Remit Legal Process Tax Payments To The State Timely And Owes \$1,913
- The Elliott County Clerk Did Not Comply With The County's Fee Pooling Ordinance
- The Elliott County Clerk Does Not Have Adequate Controls Over Non-Sufficient Funds (NSF) Checks
- The Elliott County Clerk Has Not Settled Her 2019 Fee Account
- The Elliott County Clerk Has Not Settled Her 2020 Fee Account

The county clerk does not devote sufficient time to financial reporting and has not implemented policies and procedures to ensure all financial activity is compiled and reported timely. Additionally, the county clerk has failed to implement policies and procedures to ensure taxes are distributed to taxing districts timely. The county clerk is in violation of many statutes that govern fee office operations. Most importantly, taxing districts (state, county, school, library, health department, extension district, conservation, etc.) are owed substantial amounts of taxes and have been deprived of these resources for a significant time.

KRS 68.210 gives the state local finance officer authority to prescribe a uniform system of accounts, which sets certain minimum accounting requirements for local officials. It is the statutory duty of the county clerk to collect and distribute motor vehicle taxes, delinquent taxes, and various taxes/fees on legal instruments. There are numerous statutes that outline the duties and responsibilities of the county clerk. Please refer to each individual finding for specific information related to that topic.

We recommend the county clerk take immediate action to remedy the issues outlined in these comments and recommendations. Further, we recommend the county clerk implement policies and procedures for her office to ensure these issues are corrected for future periods. This matter will be referred to the Department of Revenue, Office of the Attorney General, and the Department for Local Government.

*County Clerk's Response: New procedures were implemented in late 2021 which have improved all aspects of required duties, the improvements will be reflected in the 2022 audit.*

ELLIOTT COUNTY  
 JENNIFER CARTER, COUNTY CLERK  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2021  
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-002 The Elliott County Clerk's Office Does Not Have Adequate Segregation Of Duties And Internal Controls Over Fee Receipts And Disbursements

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This is a repeat finding and was included in the prior year audit report as finding 2020-002. The county clerk prepares daily deposits, prepares and signs checks and collects cash from customers. The bookkeeper posts to the receipts and disbursements ledgers, reconciles bank accounts, and prepares the quarterly report.

According to the county clerk, this condition is a result of a limited budget, which restricts the number of employees the county clerk can hire or delegate duties to. Inadequate segregation of duties allows for one person to have a significant role in processing and recording receipts and disbursements, which would increase the risk that undetected misappropriations of assets and inaccurate financial reporting will occur.

Internal controls and proper segregation of duties protects employees and the county clerk in the normal course of performing their daily responsibilities. Good internal controls dictate the same employee should not receive payments, prepare deposits and post to the receipts ledger; the same employee should not prepare monthly reports, sign checks and post to the disbursements ledger; and the same employee should not deposit funds, sign checks, post to ledgers and prepare bank reconciliations and monthly reports.

We recommend the county clerk's office adequately segregate duties and implement internal controls to ensure transactions are recorded timely. Employees receiving payments and preparing deposits should not be posting to the receipts ledger and preparing bank reconciliations. A proper segregation of duties may not be possible with a limited number of employees, and in that case, the county clerk or bookkeeper could take on the responsibility of reviewing the daily deposits, receipts and disbursements ledgers, monthly reports, and bank reconciliations prepared by another employee. These reviews must be documented in a way that indicates what was reviewed, by whom, and when, because signing off on inaccurate information does not provide internal control. Further, the county clerk could require dual signatures on all checks, with one signature being the county clerk's.

*County Clerk's Response: A corrective action has been planned awaiting approval from fiscal court, the plan has not been submitted yet but will be presented end of December 2022.*

2021-003 The Elliott County Clerk's Fourth Quarter Report Was Not Submitted To The Department For Local Government And It Contained Material Errors

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This is a repeat finding and was included in the prior year audit report as findings 2020-003 and 2020-004. The county clerk did not submit quarterly reports to the Department for Local Government (DLG). The county clerk prepared a fourth quarter report at the beginning of the MVR audit, but it has not been submitted to DLG. No other quarterly reports were prepared or submitted to DLG for calendar year 2021. Also, though most were posting errors, numerous adjustments were necessary to correct material errors. Specifically, several errors were made when classifying items on the receipts and disbursements ledgers and when carrying items over from the ledgers to the fourth quarter report. In particular, seven adjustments over \$50,000 each were made to disbursements.

ELLIOTT COUNTY  
 JENNIFER CARTER, COUNTY CLERK  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2021  
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-003 The Elliott County Clerk's Fourth Quarter Report Was Not Submitted To The Department For Local Government And It Contained Material Errors (Continued)

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The county clerk neglected to ensure quarterly reports were prepared and submitted to DLG. Also, the county clerk did not have procedures in place to ensure that posting was accurate on the county clerk's receipts and disbursements ledgers as well as the fourth quarter financial report, such as reconciling weekly and monthly reports to the ledgers to ensure amounts are posted correctly. Failure to submit required reports prevents proper oversight from DLG and increases the risk that errors, misstatements, or fraud can occur and go undetected for a significant time period. In addition, not reconciling amounts posted to ledgers to weekly and monthly reports creates an opportunity for amounts to be posted to incorrect categories on the ledgers. As a result, the audit took longer than normal in order to determine and make all necessary adjustments.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires officials to submit quarterly reports to the Department for Local Government by the 30<sup>th</sup> day following the close of each quarter. The uniform system of accounts has specific requirements on how to record various types of transactions for different funds and fund types. The most basic requirement of the uniform system of accounts is that all transactions are recorded and classified correctly.

We recommend the county clerk submit her quarterly reports to DLG timely in the future. Also, we recommend the county clerk reconcile her ledgers to weekly and monthly reports to ensure amounts are posted to the correct category to help prevent material errors from occurring.

*County Clerk's Response: A corrective action has been planned awaiting approval from fiscal court, to be submitted end of December 2022.*

2021-004 The Elliott County Clerk Did Not Present An Annual Settlement To The Fiscal Court

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This is a repeat finding and was included in the prior year audit report as finding 2020-005. The county clerk did not prepare or present an annual settlement of excess fees to the fiscal court. The county clerk does not have controls in place to ensure that an annual settlement is prepared and presented to the fiscal court.

The lack of compliance with applicable state laws and DLG reporting requirements has led to the fiscal court not being adequately informed of the financial activities of the county clerk's office, resulting in the limited ability to appropriately monitor the financial activity and make fully informed financial decisions for the county.

KRS 64.152(1) states, in part, ". . . the county clerk shall provide to the fiscal court by March 15 of each year a complete statement for the preceding calendar year of all funds received by his office in an official capacity or for official services, and of all expenditures of his office[.]."

We recommend the county clerk implement controls to ensure compliance with KRS 64.152 by presenting an annual settlement to the fiscal court by March 15.

*County Clerk's Response: A corrective action has been planned awaiting approval from fiscal court to be submitted end of December 2022.*

ELLIOTT COUNTY  
 JENNIFER CARTER, COUNTY CLERK  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2021  
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-005 The Elliott County Clerk Made 34 Late Deposits Totaling \$145,925

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The county clerk's receipts were not batched and deposited daily, resulting in a delay of more than three business days before a day's receipts were posted to the bank. Of the sample we tested, deposits were between 11 to 15 days late. Further, between the period September 1, 2021 through December 31, 2021, the county clerk made a total of 34 deposits late that totaled \$145,925. Of those late deposits, 18 of them were over 20 days late, two of them were over 100 days late, and one was over 170 days late.

The county clerk did not have procedures in place to ensure deposits were made timely. Failure to batch and deposit receipts daily increases the likelihood of misstatement or fraud occurring without detection. In addition, not making deposit timely increases the risk that checks within the deposit are no longer valid.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires receipts to be batched and deposited daily.

We recommend the county clerk's office batch receipts and prepare a checkout sheet daily and make deposits per the uniform system of accounts.

*County Clerk's Response: Employee turnover did have an affect on this finding, the correction has been made and will be reflected in the next upcoming audit, one deputy has been assigned to make deposits daily.*

2021-006 The Elliott County Clerk Owed \$214,068 In Usage Tax To The Department Of Revenue And Has Excess Funds In Her Usage Tax Bank Account

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This is similar to a prior year finding and was included in the prior year audit report as finding 2020-006. The county clerk did not properly account for usage tax collections. For calendar year 2021, the county clerk owed usage tax to the Department of Revenue (DOR) in the amount of \$214,068. The county clerk did not properly deposit usage tax collections daily and transfer amounts to the state depository as required. The county clerk only transferred usage funds for 21 out of 52 weeks during the year. Subsequently, on March 15, 2022, the county clerk transferred the \$214,068 from the 2021 fee account to the usage account. On March 16, 2022, the county clerk remitted the remaining usage tax due for 2021 in the amount of \$214,068 to DOR. An excess of \$16,475 in funds remained in the county clerk's usage tax bank account. Of this excess amount, \$14,000 was paid to the fiscal court on September 8, 2022.

The county clerk did not have procedures in place to ensure that usage tax was remitted from the fee account to the usage tax account daily and properly transferred to the state timely. In addition, the county clerk was not reconciling her usage tax account monthly. The usage tax account has carried an excess of funds for years, due to incorrect amounts being transferred from fee accounts to the usage tax account as a result of errors.

As a result of not properly remitting usage tax from the fee account to the usage tax account, the county clerk runs the risk of overpaying excess fees to the county and not having the funds to remit to DOR. The county clerk also runs the risk that her office will owe penalties that are prohibited from being paid from the fee account. By not reconciling the usage tax bank account, and allowing an excess of funds to build up, the county clerk has not remitted all excess fees due to fiscal court over the years.



ELLIOTT COUNTY  
JENNIFER CARTER, COUNTY CLERK  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended December 31, 2021  
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-006 The Elliott County Clerk Owed \$214,068 In Usage Tax To The Department Of Revenue And Has Excess Funds In Her Usage Tax Bank Account (Continued)

KRS 131.155(2)(c) requires the county clerk to, “deposit motor vehicle usage tax and sales and use tax collections in the clerk’s local depository account not later than the next business day following receipt. The clerk shall cause the funds to be electronically transferred from the clerk’s local depository account to the State Treasury in the manner and at the time prescribed by the department[.]”

KRS 138.464(4) states, “[f]ailure to deposit or, if required, transfer collections as required above shall subject the clerk to a penalty of two and one-half percent (2.5%) of the amount not deposited or, if required, not transferred for each day until the collections are deposited or transferred as required above. The penalty for failure to deposit or transfer money collected shall not be less than fifty dollars (\$50) nor more than five hundred dollars (\$500) per day.”

While the county clerk has remitted the \$214,068 in usage tax owed to DOR from the usage tax account, we recommend the county clerk ensure usage tax is deposited from the fee account to the usage tax account daily and transferred to the DOR timely. The easiest way to prevent an excess in funds in the usage tax account would be to perform monthly bank reconciliations of the usage tax account, and trace daily usage amounts from the fee to the usage accounts and ensuring that same amount was paid to DOR.

*County Clerk’s Response: Correction to procedures have been made and will be reflected in the next audit. The excess fees were paid to the fiscal court \$14,000.00. All usage tax owed has been paid and has been paid timely in 2022.*

2021-007 The Elliott County Clerk Did Not Pay Delinquent Taxes To Districts Timely And Owes \$59,932 To Taxing Districts

This is similar to a prior year finding and was included in the prior year audit report as finding 2020-008. The county clerk did not pay delinquent tax payments to districts timely. Further, out of the months paid, only one month was paid timely. Delinquent tax payments are unpaid for March through December 2021 in the amount of \$59,932 as follows:

Taxing District	Amount Due	Months Not Paid
County Attorney	\$ 13,055	March, April, May, June, September, October and December
Sheriff	8,191	March, April, May, June, September, October, November and December
State	8,306	March, April, May, June, September, October, November and December
County	3,567	June, September, October, November and December
School	6,087	December
Health	5,352	March, April, May, June, September, October, November and December
Extension	5,144	March, April, May, June, September, October, November and December
Ambulance	6,135	March, April, May, June, September, October, November and December
Soil Conservation	4,035	March, April, May, June, September, October, November and December
Fire Acres	60	June, October and December
	<u>\$ 59,932</u>	

ELLIOTT COUNTY  
 JENNIFER CARTER, COUNTY CLERK  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2021  
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-007 The Elliott County Clerk Did Not Pay Delinquent Taxes To Districts Timely And Owes \$59,932 To Taxing Districts (Continued)

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The county clerk does not have controls in place in order to make sure delinquent tax payments are made timely. By not remitting payments timely to taxing districts, cash flow problems can occur for these taxing districts as they rely on tax collections to fund a significant portion of their budgeted services.

KRS 134.126(3) requires the county clerk to, “report by the tenth day of each month to the department, the county treasurer, the sheriff, and the proper officials of the taxing districts.”

We recommend the county clerk implement controls to ensure monthly delinquent tax payments are paid by the tenth of each month in accordance with KRS 134.126(3).

*County Clerk's Response: Delegating responsibility has now been implemented and improvements will be reflected in 2023. Payment has been issued to each taxing district. 11/19/2022.*

2021-008 The Elliott County Clerk Owes Ad Valorem Taxes To Taxing Districts In The Amount Of \$32,935

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This is similar to a prior year finding and was included in the prior year audit report as finding 2020-007. The county clerk did not properly pay ad valorem taxes due to taxing districts. The state was paid all ad valorem payments they were due for the year, and was overpaid as depicted in the chart below. The county clerk did remit December ad valorem to taxing districts, but paid off an incorrect report, leaving an additional amount due for December. Included in the chart below are amounts due to/(due from) districts, as well as the specific unpaid months.

District	Amount Due To/(Due From)	Months Not Paid/(Overpaid)
State	\$(1,020)	January (under), September (over), and December (under)
County	38	December
Health	1,667	February and December
Extension	834	February and December
Ambulance	4,307	February, September, and December
School	27,109	February, September, and December

The county clerk did not have procedures in place to ensure ad valorem taxes were remitted accurately and timely. As a result, districts were not always paid the correct amount and/or paid timely and unable to use funds due to them. In addition, the county clerk increases the risk of incurring penalties that are prohibited from being paid from the fee account.

KRS 134.815(1) states, “[t]he county clerk shall, by the tenth of each month, report under oath and pay to the state, county, city, urban-county government, school, and special taxing districts all ad valorem taxes on motor vehicles collected by him for the preceding month, less the collection fee of the county clerk, which shall be deducted before payment to the depository.”

KRS 134.815(2) states, “[a]ny county clerk who fails to pay over any taxes collected by him on motor vehicles as required by subsection (1) of this section shall be required to pay a penalty of one percent (1%) for each thirty (30) day period or fraction thereof, plus interest at the legal rate per annum of such taxes.”

ELLIOTT COUNTY  
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 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2021  
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-008 The Elliott County Clerk Owes Ad Valorem Taxes To Taxing Districts In The Amount Of \$32,935  
 (Continued)

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We recommend the county clerk ensure the payment made to districts agrees to the reports, and pay the taxing districts in accordance with state law. We also recommend the county clerk remit the amounts due above to the districts and collect the overpayment from the state.

*County Clerk's Response: Improvements have been made that are not reflected in this audit. Payments have been issued to the taxing districts.*

2021-009 The Elliott County Clerk Did Not Remit Affordable Housing Payments To The State Timely And Owes \$2,778

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This is similar to a prior year finding and was included in the prior year audit report as finding 2020-010. The county clerk did not remit quarterly affordable housing payments for calendar year 2021, and owes \$2,778 to the Department of Revenue accordingly.

The county clerk does not have proper internal controls implemented to ensure that timely payments are made for affordable housing. As a result, the county clerk did not remit timely payments for affordable housing to the state. The county clerk is supposed to file a report with the Department of Revenue on or before the tenth day of the month following the quarter covered by the report, and attach payment for the total amount computed due.

We recommend the county clerk pay the amount of \$2,778 due to the Department of Revenue without delay. We also recommend the county clerk implement internal controls to ensure that affordable housing fees are paid timely.

*County Clerk's Response: Affordable housing payment has been issued. A plan of correction has been made and will be submitted to fiscal court for their review and approval.*

2021-010 The Elliott County Clerk Did Not Remit Legal Process Tax Payments To The State Timely And Owes \$1,913

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This is similar to a prior year finding and was included in the prior year audit report as finding 2020-011. The county clerk did not remit payments totaling \$1,913 for legal process taxes during calendar year 2021 to the state. These taxes are collected on legal process and instruments received by the county clerk such as marriage licenses, power of attorney, mortgage, financing statements, deeds, etc.

The county clerk does not have controls in place to ensure that payments are made to the state for legal process tax in a timely manner. As a result, the county clerk did not remit legal process tax timely to the state.

KRS 142.010(3) states, "[t]axes imposed under this section shall be reported and paid to the Department of Revenue by each county clerk within ten (10) days following the end of the calendar month in which instruments subject to tax are filed or marriage licenses issued. Each remittance shall be accompanied by a summary report on a form prescribed by the department."

ELLIOTT COUNTY  
 JENNIFER CARTER, COUNTY CLERK  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2021  
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-010 The Elliott County Clerk Did Not Remit Legal Process Tax Payments To The State Timely And Owes \$1,913 (Continued)

We recommend that the county clerk implement controls to ensure that legal process tax payments are made to the state timely. In addition, we recommend the county clerk remit the legal process tax due for calendar year 2021 to the state in the amount of \$1,913, without delay.

*County Clerk's Response: We have made changes in deputy/clerk responsibilities. Legal process fee has been issued in full.*

2021-011 The Elliott County Clerk Did Not Comply With The County's Fee Pooling Ordinance

This is a repeat finding and was included in the prior year audit report as finding 2020-009. As depicted in the following chart, the county clerk did not remit her monthly excess fees timely to fiscal court per the fee-pooling ordinance:

<b>Excess Fee Month</b>	<b>Date Check Written</b>	<b>Days Late</b>
January	3/31/21	49
February	3/31/21	21
March	6/29/21	80
April	6/29/21	50
May	6/29/21	19
June	9/21/21	73
July	9/21/21	42
August	9/21/21	11
September	2/22/22	135
October	2/22/22	104
November	2/22/22	74
December		>230

In addition, the county clerk remitted payment for two invoices instead of submitting the invoices to fiscal court for payment.

According to the county clerk, she wanted to ensure she was remitting the correct amount of excess fees which delayed payment timeliness. Also, the county clerk does not have adequate controls to ensure that excess fees are paid timely in accordance with the county fee pooling ordinance. The county clerk thought she was supposed to pay the dues and printing of tax bills from her fee account instead of sending the bills to fiscal court to pay. By not submitting the monthly excess fees to the fiscal court by the tenth of each month as required by Elliott County Fiscal Court Ordinance FY-13-001, the county clerk is not in compliance with the ordinance. In addition, the fiscal court is deprived of these funds for a significant amount of time potentially impacting their budget. Also, the county clerk did not comply with the fee-pooling ordinance by remitting payments from her fee account.

ELLIOTT COUNTY  
 JENNIFER CARTER, COUNTY CLERK  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2021  
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-011 The Elliott County Clerk Did Not Comply With The County's Fee Pooling Ordinance (Continued)

On February 4, 2013, Elliott County Fiscal Court passed Ordinance FY-13-001, which requires the sheriff's office and county clerk's office to participate in fee pooling. Under fee pooling, the sheriff's office and county clerk's office pay net income (excess fees) monthly to the fiscal court, and fiscal court pays all salaries and expenses of those offices. Net income is due no later than the tenth of the month for the preceding month. The expenses of the sheriff's and county clerk's offices shall be paid by the county treasurer in accordance with the purchase order system adopted by the Elliott County Fiscal Court.

We recommend the county clerk comply with the county's fee pooling ordinance by paying excess fees based on calculations from the county clerk's financial records no later than the tenth of the month for the preceding month and implement controls to ensure that excess fees are paid timely. Also, we recommend the county clerk submit any invoices to be paid on behalf of her office to the county treasurer for payment. Per the fee-pooling resolution in place, the only items allowed to be paid from the fee account are refunds to taxpayers, payments to taxing districts, and monthly fees to the fiscal court.

*County Clerk's Response: A corrective action is planned and will be submitted to fiscal court for review and approval.*

2021-012 The Elliott County Clerk Does Not Have Adequate Controls Over Non-Sufficient Funds (NSF) Checks

The bank returned nine checks from customers for non-sufficient funds (NSF). Of those nine NSF checks, the county clerk did not receive repayment and failed to properly handle follow-up protocol on five of the checks totaling \$1,975. These five checks were not turned over to the county attorney, nor were the services cancelled in AVIS. The county clerk did not have procedures in place to ensure NSF checks are handled properly. As a result, the county clerk remitted payments to districts as if these checks had been collected in essence shorting excess fees to the county. Further, customers received a service without paying for it. When a check is returned as non-sufficient funds, the county clerk should give the notice to the county attorney if the check remains uncollected. If the checks are not turned over to the county attorney, the service needs to be cancelled in AVIS, delinquent tax, etc. We recommend the county clerk ensure that NSF checks are collected, and if not, either turn the check over to the county attorney or cancel the service in AVIS, delinquent tax, etc.

*County Clerk's Response: Corrections have been made that are not reflected until the next audit.*

2021-013 The Elliott County Clerk Has Not Settled The 2019 Fee Account

The county clerk has not settled her 2019 fee account. The county clerk has a balance of \$51,236 in her 2019 fee account, which consist of the following amounts due:

- Kentucky State Treasurer for ad valorem tax in the amount of \$43,901
- Clerk reimbursement in the amount of \$1,594
- Fiscal court in remaining excess fees of \$5,741

As of the audit date, these checks remain outstanding. The state has received the ad valorem check; but it is still in processing waiting on the county clerk to submit documentation explaining why the amount is due. Until these checks clear, this account cannot be settled. The county clerk does not have controls in place to ensure that accounts have been settled in a timely manner. The failure to pay liabilities timely causes taxing districts and other governmental agencies to be deprived of funds for significant time periods.

ELLIOTT COUNTY  
 JENNIFER CARTER, COUNTY CLERK  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2021  
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-013 The Elliott County Clerk Has Not Settled The 2019 Fee Account (Continued)

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KRS 64.152 states in part, “(1) In counties containing a population of less than seventy-five thousand (75,000), the county clerk shall provide to the fiscal court by March 15 of each year a complete statement for the preceding calendar year of all funds received by his office in an official capacity or for official services, and of all expenditures of his office, including his salary, compensation of deputies and assistants, and reasonable expenses. (2) At the time of filing the statement required by subsection (1) of this section, the clerk shall pay to the fiscal court any income of his office, including income from investments, which exceeds the sum of his maximum salary as permitted by the Constitution and other reasonable expenses, including compensation of deputies and assistants. The settlement for excess fees shall be subject to correction by audit conducted pursuant to KRS 43.070 or 64.810, and the provisions of this section shall not be construed to amend KRS 64.820.”

We recommend the county clerk settle the 2019 fee account.

*County Clerk's Response: The payments were issued to the proper entities, 11/19/22.*

2021-014 The Elliott County Clerk Has Not Settled The 2020 Fee Account

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The county clerk has not settled her 2020 fee account. The county clerk has a balance of \$26,121 in her 2020 fee account, which is due an amount from the 2021 fee account in the amount of \$7,809 for a delinquent tax deposit put into the 2021 fee account instead of the 2020 fee account by mistake. Also, the following amounts are due from the 2020 fee account:

- Kentucky State Treasurer for delinquent tax in the amount of \$11,287
- Kentucky State Treasurer for legal process tax in the amount of \$4,697
- Kentucky State Treasurer for affordable housing in the amount of \$4,728
- Fiscal court for remaining excess fees in the amount of \$13,218

As of the audit date, these checks remain outstanding. Until these checks clear, this account cannot be settled. The county clerk does not have controls in place to ensure that accounts have been settled in a timely manner. The failure to pay liabilities timely causes taxing districts and other governmental agencies to be deprived of funds for significant time periods.

KRS 64.152 states in part, “(1) In counties containing a population of less than seventy-five thousand (75,000), the county clerk shall provide to the fiscal court by March 15 of each year a complete statement for the preceding calendar year of all funds received by his office in an official capacity or for official services, and of all expenditures of his office, including his salary, compensation of deputies and assistants, and reasonable expenses. (2) At the time of filing the statement required by subsection (1) of this section, the clerk shall pay to the fiscal court any income of his office, including income from investments, which exceeds the sum of his maximum salary as permitted by the Constitution and other reasonable expenses, including compensation of deputies and assistants. The settlement for excess fees shall be subject to correction by audit conducted pursuant to KRS 43.070 or 64.810, and the provisions of this section shall not be construed to amend KRS 64.820.”

We recommend the county clerk settle the 2020 fee account.

*County Clerk's Response: The payments were issued to the proper entities, 11/19/22.*