

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

**For The Year Ended  
December 31, 2023**



**ALLISON BALL  
AUDITOR OF PUBLIC ACCOUNTS  
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**ALLISON BALL**  
**AUDITOR OF PUBLIC ACCOUNTS**

**Independent Auditor's Report**

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

**Report on 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 Taylor County, Kentucky, for the year ended December 31, 2023, 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 Taylor County Clerk for the year ended December 31, 2023, 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 Taylor County Clerk, as of December 31, 2023, 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 (GAS)*, issued by the Comptroller General of the United States, and the *Audit Program for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. 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 Taylor 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 Barry T. Smith, Taylor County Judge/Executive  
The Honorable Mark Carney, Taylor County Clerk  
Members of the Taylor 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 Taylor County Clerk on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting 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.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Taylor County Clerk's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **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 and GAS 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 and GAS, 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 Taylor 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 Taylor County Clerk's ability to continue as a going concern for a reasonable period of time.

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

**Auditor's Responsibilities for the Audit of the Financial Statement (Continued)**

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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2024, on our consideration of the Taylor County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 Taylor 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:

- 2023-001 The Taylor County Clerk's Office Lacks Adequate Segregation Of Duties
- 2023-002 The Taylor County Clerk Did Not Deposit Funds Intact Daily
- 2023-003 The Taylor County Clerk Did Not Require Third-Party Purchasers To Make Deposits And Payments In Accordance With 103 KAR 5:180

Respectfully submitted,



Allison Ball  
Auditor of Public Accounts  
Frankfort, KY

August 19, 2024

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

For The Year Ended December 31, 2023

Receipts

State Fees For Services		
Election Commission & Fee for Reg. Voters	\$	9,302
Fiscal Court		
Board of Assessments		100
Preparing & Printing Tax Bills		5,069
Employer's Share FICA		34,015
Licenses and Taxes:		
Motor Vehicle-		
Licenses and Transfers	\$ 1,043,778	
Usage Tax	4,642,183	
Tangible Personal Property Tax	3,159,553	
Disabled Placards	1,490	
Other-		
Lien Fees	16,488	
Marriage Licenses	8,250	
Deed Transfer Tax	124,282	
Delinquent Tax	295,585	9,291,609
Fees Collected for Services:		
Recordings-		
Deeds, Easements, and Contracts	34,345	
Real Estate Mortgages	59,421	
Chattel Mortgages and Financing Statements	61,730	
Powers of Attorney	6,644	
Affordable Housing Trust	23,328	
All Other Recordings	74,820	
Charges for Other Services-		
Candidate Filing Fees	250	
Copywork	3,490	
Delinquent Tax Sale Registration Fees	2,595	
Document Storage Fees	39,670	306,293
Miscellaneous		
		1,836
Interest Earned		
		8,798
Total Receipts		
		9,657,022

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



TAYLOR COUNTY  
 MARK CARNEY, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2023  
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 676,540	
Usage Tax	4,501,333	
Tangible Personal Property Tax	1,154,828	
Licenses, Taxes, and Fees-		
State Boat Registration Fees	55,889	
Delinquent Tax	31,232	
Legal Process Tax	21,460	
Affordable Housing Trust	23,328	
Disabled Placards	<u>1,192</u>	\$ 6,465,802

Payments to Fiscal Court:

Tangible Personal Property Tax	198,047	
Delinquent Tax	21,178	
Deed Transfer Tax	<u>118,068</u>	337,293

Payments to Other Districts:

Tangible Personal Property Tax	1,680,312	
Delinquent Tax	<u>156,127</u>	1,836,439

Payments to Sheriff

25,046

Payments to County Attorney

38,007

Other Regulatory Payments:

Usage Tax Refunds	1,629	
Ad Valorem Tax Refunds	<u>158</u>	1,787

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	306,592
Part-Time Salaries	9,167
Election Day pay	1,760
Saturday pay for deputies	9,675

Employee Benefits-

Employer's Share Social Security	34,015
Employer's Paid Health Insurance	94,096

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

TAYLOR COUNTY  
 MARK CARNEY, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2023  
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Contracted Services-		
Indexing/Web	\$	36,350
Printing and Binding Tax Bills		3,812
Materials and Supplies-		
Office Expense		15,179
Other Charges-		
Credit/Debit Card Charges		30,635
Conventions and Travel		1,696
Dues		2,070
Miscellaneous Refunds and Return Checks		1,607
Repay 2022 acct. opening money		1,041
Document Storage Fees		39,730
Capital Outlay-		
Office Equipment		4,293
	\$	<u>591,718</u>
Total Disbursements		<u>\$ 9,296,092</u>
Net Receipts		360,930
Less: Statutory Maximum		<u>112,068</u>
Excess Fees		248,862
Less: Expense Allowance	3,600	
Training Incentive Benefit	<u>4,983</u>	<u>8,583</u>
Excess Fees Due County for 2023		240,279
Payment to Fiscal Court - February 20, 2024		<u>238,000</u>
Balance Due Fiscal Court at Completion of Audit		<u>\$ 2,279</u>

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

TAYLOR COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2023

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 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 exceeds 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 2023 services
- Reimbursements for 2023 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2023

The measurement focus of a fee official's financial statement is upon current financial resources. Per KRS 64.152(2), remittance of excess fees is due to the fiscal court when the county clerk makes their final settlement.

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).

TAYLOR COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2023  
 (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 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 CERS 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 26.79 percent for the first six months and 23.34 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:

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%

TAYLOR COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2023  
(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, 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.

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

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

E. Death Benefit

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

TAYLOR COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2023  
 (Continued)

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

Kentucky Retirement Systems Annual Financial Report and Proportionate Share Audit Report

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

Note 3. Deposits

The Taylor County Clerk maintained deposits of public funds with 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 Taylor County Clerk does not have a deposit policy for custodial credit risk, but rather follows the requirements of the DLG's *County Budget Preparation and State Local Finance Officer Policy Manual*. As of December 31, 2023, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Subscription-Based Information Technology Arrangements (SBITA)

A. SBITA – Recordings Subscription

The Taylor County Clerk entered into a subscription-based information technology arrangement for recording software in the deed room. The subscription terms are 60 months totaling \$96,000, and the Taylor County Clerk will receive the right-to-use subscription asset (intangible asset). As of December 31, 2023, the value of the subscription liability was \$24,000. The Taylor County Clerk is required to make monthly payments of \$1,600.

Note 5. Lease Agreement

The Taylor County Clerk's Office was committed to a lease agreement for recording hardware in the deed room. The agreement requires a monthly payment of \$625 for 60 months totaling \$37,500 to be completed on March 31, 2025. The total balance of the agreement was \$9,375 of December 31, 2023.

TAYLOR COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2023  
(Continued)

Note 6. Fiduciary Account – Escrow Account

The Taylor County Clerk deposited outstanding ad valorem refund checks from calendar year 2022 into a custodial bank account in 2023. When statutorily required, the county clerk will turn over the escrowed funds to the Kentucky State Treasurer as unclaimed property. As of December 31, 2023, the county clerk's escrowed amounts were as follows:

2022 \$428

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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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ALLISON BALL  
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 Barry T. Smith, Taylor County Judge/Executive  
The Honorable Mark Carney, Taylor County Clerk  
Members of the Taylor County Fiscal Court

We have audited, 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 Program for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky, the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Taylor County Clerk for the year ended December 31, 2023, and the related notes to the financial statement and have issued our report thereon dated August 19, 2024. The Taylor County Clerk's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Taylor County Clerk's internal control over financial reporting (internal control) 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 Taylor County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Taylor County Clerk's internal control.

Our consideration of internal control 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 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 2023-001, 2023-002, and 2023-003 to be material weaknesses.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With *Government Auditing Standards*  
(Continued)

**Report on Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Taylor County Clerk's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 2023-002 and 2023-003.

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

*Government Auditing Standards* requires the auditor to perform limited procedures on the Taylor County Clerk's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The Taylor County Clerk's response was not subjected to the other auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the response.

**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,



Allison Ball  
Auditor of Public Accounts  
Frankfort, KY

August 19, 2024

## SCHEDULE OF FINDINGS AND RESPONSES

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

For The Year Ended December 31, 2023

FINANCIAL STATEMENT FINDINGS:

2023-001 The Taylor County Clerk's Office Lacks Adequate Segregation Of Duties

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This is a repeat finding and was included in the prior year audit report as finding 2022-001. The deputy who prepares the daily checkout sheet also collects money, prepares the daily deposit, and posts to the ledger. The county clerk also performs these duties. Another deputy and the county clerk jointly prepare the quarterly financial reports. The county clerk prepares, signs, and posts all disbursements. The county clerk performs bank reconciliations. No reviews of any records, ledgers, reconciliations, or reports were documented.

The lack of segregation of duties occurred because the county clerk failed to segregate incompatible duties. The county clerk states that he cannot hire additional employees to allow segregation of duties due to budget limitations. The limited number of employees restricts how the county clerk can delegate duties. The lack of segregation of duties or oversight could result in misappropriation of assets or inaccurate financial reporting. The lack of adequate segregation of duties, coupled with a lack of adequate management oversight, provides an environment in which an individual could manipulate financial records and misappropriate or misdirect county funds.

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires." The segregation of duties is a basic internal control necessary to ensure the accuracy and reliability of financial reports. The segregation of duties over various accounting functions such as collecting receipts, preparing deposits, recording receipts and disbursements to the ledgers, and preparing reports or the implementation of compensating controls, is essential for providing protection from asset misappropriation or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily job duties.

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

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

2023-002 The Taylor County Clerk Did Not Deposit Funds Intact Daily

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This is a repeat finding and was included in the prior year audit report as finding 2022-002. This finding has been included in the audit report since calendar year 2008. The Taylor County Clerk did not deposit all funds collected intact daily. The county clerk's daily checkout sheets show each day's cash on hand is different. This deficiency is allowed to occur because it is the county clerk's policy to only deposit larger cash bills and checks and leave all change and smaller cash bills for startup cash. The county clerk knew the requirements to make all deposits intact daily but didn't agree with them for operational management purposes.

TAYLOR COUNTY  
 MARK CARNEY, COUNTY CLERK  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2023  
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-002 The Taylor County Clerk Did Not Deposit Funds Intact Daily (Continued)

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As a result of not depositing funds intact daily, the county clerk is not in compliance with guidelines set forth by the State Local Finance Officer and increases the risk of possible theft. For the week tested, the following was noted:

- Receipts of \$51 were not deposited on May 1, 2023.
- Receipts of \$64 were not deposited on May 2, 2023.
- Additional receipts of \$100 were deposited on May 3, 2023.
- Additional receipts of \$37 were deposited on May 4, 2023.
- Additional receipts of \$63 were deposited on May 5, 2023.
- Receipts of \$70 were not deposited on May 6, 2023.

The DLG's *County Budget Preparation and State Local Finance Officer Policy Manual* recommends the minimum requirements for handling public funds pursuant to KRS 68.210. The manual requires "daily deposits intact into a federally insured banking institution". Good internal controls dictate the practice of making daily deposits and reduce the risk of misappropriation of cash, which is the asset most subject to possible theft. Additionally, when deposits are not made timely, the risk that the bank account can be overdrawn is increased. We recommend the county clerk make daily deposits intact and leave a set amount in each of the cash drawers as startup monies each day.

*County Clerk's Response: Management decision to close and open our cash drawers using the amount in cash drawers, then only depositing all big bills (\$20 & \$100 & 50) and leaving rest in the drawer for the next day instead of depositing coins and small bills.*

Auditor's Reply: The county clerk is required by the DLG's minimum requirements for handling public funds to make daily deposits intact into a federally insured banking institution. Not having a fixed amount of change funds in the drawers and not depositing all funds received each day increases fraud risk.

2023-003 The Taylor County Clerk Did Not Require Third-Party Purchasers To Make Deposits And Payments In Accordance With 103 KAR 5:180

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This is a repeat finding and was included in the prior year audit report as finding 2022-004. The Taylor County Clerk did not require purchasers to make deposits at the time of registration as required by 103 KAR 5:180 for priority certificates of delinquency and current certificates of delinquency. The county clerk stated he followed the tax sale registration and deposit process as required in 2019 and felt the extra steps of requiring deposits and then refunding large unused portions negatively affected the tax sale. The county clerk stated he made a management decision in 2020 to only require purchasers to pay registration fees, but he did not collect any deposits. The county clerk stated he continued this management decision in 2023.

Failure to collect deposits can result in the county clerk not being able to cover any additional costs and expenses associated with any purchaser who fails to make full payment at the time of the tax sale. Establishing procedures contrary to established regulations places the clerk in non-compliance with the relevant laws.



TAYLOR COUNTY  
 MARK CARNEY, COUNTY CLERK  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2023  
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-003 The Taylor County Clerk Did Not Require Third-Party Purchasers To Make Deposits And Payments In Accordance With 103 KAR 5:180 (Continued)

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KRS 134.128(2)(g) requires the Department of Revenue to “[e]stablish advance deposit requirements for registered participants based upon the maximum amount the registered participant may pay for desired certificates of delinquency[.]” Consequently, 103 KAR 5:180 requires third-party purchasers make a deposit with the county clerk for tax bills they wish to purchase at the tax sale. Purchasers are required to provide a deposit of 100% of the value of each certificate of delinquency included on the purchaser's list of priority certificates of delinquency; deposit all clerk's fees associated with each certificate of delinquency included on the purchaser's list of priority certificates of delinquency, and deposit 25% of the value of each certificate of delinquency included on the purchaser's list of current certificates of delinquency. The county clerk shall accept payment of the deposit in a method of payment that complies with KRS 134.126(1)(b). The deposits should be applied to the payment of the certificates of delinquency the purchaser purchases at the sale and any unused portion of the deposit refunded to the third-party purchasers. The registration fee paid by the third-party purchasers should be deposited to the fee account when received.

Consequently, 103 KAR 5:180 Section 4 (1) states “A purchaser shall deposit funds with the county clerk at the time of registration...” and requires third-party purchasers make a deposit with the county clerk for tax bills they wish to purchase at the tax sale. Purchasers are required to provide a deposit of (a) “100% of the value of each certificate of delinquency included on the purchase’s list of priority certificates of delinquency; and (c) ..Twenty-five (25) percent of the value of each certificate of delinquency included on the purchaser’s list of current certificates of delinquency. Good internal controls dictate that the deposits made by third-party purchasers should be deposited to an official bank account when received. The deposits should be applied to the payment of the tax bills the purchaser purchases at the tax sale date and any balances refunded to the third-party purchasers. The registration fee paid by the third-party purchasers should be deposited to the fee account when received.

We recommend the county clerk require third-party purchasers make deposits for certificates of delinquency they wish to purchase as required by 103 KAR 5:180.

*County Clerk’s Response: Management decision not to do this. Did it one year, did not make much sense and just added a lot of extra work to the process. I don’t like the wording in the finding where it says, “did not require third party purchases to make deposits and payments.” That could cause someone to think that we do not require correct payment for the purchases of the delinquent tax bills. We do not require a 25% deposit of bills that are included on a purchase list provided by the companies. The companies do have to pay a registration fee to participate in the tax sale and pay full price for all bills purchased. We sold 42 delinquent tax bills on August 21<sup>st</sup> this year for \$49,420.27 The companies do make proper payment.*

Auditor’s Reply: Relevant Kentucky Revised Statutes and Kentucky Administrative Regulations require the county clerk to collect deposits from third-party purchasers for certificates of delinquency they intend to purchase.