

**REPORT OF THE AUDIT OF THE
FORMER BALLARD COUNTY
CLERK**

**For The Year Ended
December 31, 2017**



**MIKE HARMON
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Todd Cooper, Ballard County Judge/Executive
The Honorable Lynn Lane, Former Ballard County Clerk
The Honorable Katie Mercer, Ballard County Clerk
Members of the Ballard County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the former County Clerk of Ballard County, Kentucky, for the year ended December 31, 2017, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



The Honorable Todd Cooper, Ballard County Judge/Executive
The Honorable Lynn Lane, Former Ballard County Clerk
The Honorable Katie Mercer, Ballard County Clerk
Members of the Ballard County Fiscal Court

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the former Ballard County Clerk on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the former Ballard County Clerk, as of December 31, 2017, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the former Ballard County Clerk for the year ended December 31, 2017, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2019, on our consideration of the former Ballard County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the former Ballard County Clerk's internal control over financial reporting and compliance.

The Honorable Todd Cooper, Ballard County Judge/Executive
The Honorable Lynn Lane, Former Ballard County Clerk
The Honorable Katie Mercer, Ballard County Clerk
Members of the Ballard County Fiscal Court

Other Reporting Required by *Government Auditing Standards* (Continued)

Based on the results of our audit, we have presented the accompanying Schedule of Findings and Responses, included herein, which discusses the following report comments:

- 2017-001 The Former Ballard County Clerk's Office Lacked Adequate Segregation Of Duties
- 2017-002 The Former Ballard County Clerk Did Not Properly Account For Customer Charges
- 2017-003 The Former Ballard County Clerk Failed To Maintain Complete And Accurate Timesheets For Employees

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

January 18, 2019

BALLARD COUNTY
LYNN LANE, FORMER COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2017

Receipts

State Revenue Supplement		\$ 66,599	
State Fees For Services			1,079
Fiscal Court			2,874
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$ 352,721		
Usage Tax	931,560		
Tangible Personal Property Tax	981,519		
Notary Fees	1,688		
Other-			
Fish and Game Licenses	16,062		
Marriage Licenses	2,059		
Occupational Licenses	570		
Deed Transfer Tax	15,868		
Delinquent Tax	124,213		2,426,260
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts	7,623		
Real Estate Mortgages	11,310		
Chattel Mortgages and Financing Statements	26,660		
Powers of Attorney	749		
Affordable Housing Trust	8,352		
Lien Fees	5,376		
All Other Recordings	2,608		
Charges for Other Services-			
Candidate Filing Fees	2,978		
Copywork	3,552		
Postage	2,098		71,306

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

BALLARD COUNTY
 LYNN LANE, FORMER COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2017
 (Continued)

Receipts (Continued)

Other:		
Miscellaneous		\$ 3,461
Interest Earned		<u>151</u>
Total Receipts		2,571,730

Disbursements

Payments to State:

 Motor Vehicle-

Licenses and Transfers	\$ 263,735	
Usage Tax	902,955	
Tangible Personal Property Tax	350,988	

 Licenses, Taxes, and Fees-

Fish and Game Licenses	15,853	
Delinquent Tax	11,007	
Legal Process Tax	8,127	
Affordable Housing Trust	<u>8,352</u>	\$ 1,561,017

Payments to Fiscal Court:

Tangible Personal Property Tax	145,867	
Delinquent Tax	21,876	
Deed Transfer Tax	15,074	
Occupational Licenses	<u>360</u>	183,177

Payments to Other Districts:

Tangible Personal Property Tax	445,026	
Delinquent Tax	<u>52,954</u>	497,980

Payments to Sheriff		10,040
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The accompanying notes are an integral part of this financial statement.

BALLARD COUNTY
 LYNN LANE, FORMER COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2017
 (Continued)

Disbursements (Continued)

Payments to County Attorney	\$	16,282	
Operating Disbursements:			
Personnel Services-			
Deputies' Salaries	\$	116,572	
Part-Time Salaries		17,461	
Contracted Services-			
Printing and Binding		1,831	
Materials and Supplies-			
Office Supplies		3,516	
Other Charges-			
Conventions and Travel		4,521	
Refunds		2,468	
Software Maintenance		18,238	
Miscellaneous		1,889	<u>166,496</u>
Total Disbursements			<u>\$ 2,434,992</u>
Net Receipts			136,738
Less: Statutory Maximum			<u>79,008</u>
Excess Fees			57,730
Less: Expense Allowance		3,600	
Training Incentive Benefit		4,052	<u>7,652</u>
Excess Fees Due County for 2017			50,078
Payment to Fiscal Court - March 15, 2018			<u>50,104</u>
Balance Due From Fiscal Court at Completion of Audit			<u>\$ (26)</u>

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

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2017

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the county clerk as determined by the audit. KRS 64.152 requires the county clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework. Under this regulatory basis of accounting, receipts and disbursements are generally recognized when cash is received or disbursed, with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2017 services
- Reimbursements for 2017 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2017

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the county treasurer in the subsequent year.

C. Cash and Investments

KRS 66.480 authorizes the county clerk's office to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

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

The county official and employees have elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

BALLARD COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2017
 (Continued)

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

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent of their salary to be allocated as follows: five percent will go to the member's account and one percent will go to the KRS insurance fund. The county's contribution rate for nonhazardous employees was 18.68 percent for the first six months and 19.18 percent for the last six months.

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 members contribute five percent of their annual creditable compensation and 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 Board 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 nonhazardous 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.

Health Insurance Coverage

CERS also 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%

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

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2017
(Continued)

Note 3. Deposits

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure the former county clerk's deposits may not be returned. The former Ballard County Clerk did not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of December 31, 2017, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of April 10, 2017, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the former county clerk's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$46,111

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Todd Cooper, Ballard County Judge/Executive
The Honorable Lynn Lane, Former Ballard County Clerk
The Honorable Katie Mercer, Ballard County Clerk
Members of the Ballard County Fiscal Court

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the former Ballard County Clerk for the year ended December 31, 2017, and the related notes to the financial statement and have issued our report thereon dated January 18, 2019. The former Ballard 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 former Ballard County Clerk's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the former Ballard County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the former Ballard County Clerk's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness 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 deficiency described in the accompanying Schedule of Findings and Responses as item 2017-001 to be a material weakness.

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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*
(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 2017-002 and 2017-003 to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the former Ballard County Clerk's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2017-003.

Views of Responsible Official and Planned Corrective Action

The former Ballard 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 former Ballard 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,



Mike Harmon
Auditor of Public Accounts

January 18, 2019

SCHEDULE OF FINDINGS AND RESPONSES

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BALLARD COUNTY
LYNN LANE, FORMER COUNTY CLERK
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2017

FINANCIAL STATEMENT FINDINGS:

2017-001 The Former Ballard County Clerk's Office Lacked Adequate Segregation Of Duties

This is a repeat finding and was included in the prior year audit report as finding 2016-001. In 2017, the former Ballard County Clerk's office lacked adequate segregation of duties over the accounting and reporting functions of the clerk's office. Due to limited staff size, the former county clerk was responsible for preparing daily deposits, preparing and signing checks, posting to receipts and disbursements ledgers, preparing monthly bank reconciliations, and also preparing financial reports.

According to the former county clerk, this condition was the result of a limited budget, which restricted the number of employees the county clerk could hire or delegate duties to. A lack of segregation of duties or strong oversight increases the risk of undetected errors or fraud. A proper segregation of duties over the accounting and reporting functions or the implementation of compensating controls, when necessary because of a limited number of staff, is essential for providing protection from undetected errors. Additionally, a proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

The former Ballard County Clerk should have separated the duties involved in preparing deposits, writing checks, posting to the ledgers, preparing monthly bank reconciliations, and preparing financial reports. If, due to a limited budget, this is not feasible, cross-checking procedures should have been implemented and documented by the individual performing the procedure. We recommend the clerk's office segregate incompatible duties.

Former County Clerk's Response: We are a small office with a limited staff. We have implemented certain compensating controls, such as: one deputy counts the money and prepares the deposit. Another deputy prepares the daily check out sheet and the two compare the totals each day. These duties are delegated to another deputy when someone is out of the office - so several can competently complete these responsibilities. The bank deposit is compared to the daily check out sheet before the deposit is taken to the bank - this is compared by the clerk. Another deputy takes it to the bank that has not performed either of these other duties. Deposit is checked and initialed by two employees (one usually the clerk) when the deposit slip is brought back to the office.

Auditor's Reply: No evidence of documented compensating controls was found. Any compensating controls should be documented.

2017-002 The Former Ballard County Clerk Did Not Properly Account For Customer Charges

This is a repeat finding and was included in the prior year audit report as finding 2016-002. The former Ballard County Clerk did not properly account for customer charges. The former county clerk allowed certain customers to charge for services; however, the former county clerk did not maintain a subsidiary ledger for these charges. To account for customer charges each day, the former county clerk posted the charges as shortages, and when payment was received, she posted the collections as overages. On occasion, the county clerk's office had actual overages and shortages regarding daily deposits. Because customer charges were treated as overages and shortages, the true balance of outstanding accounts and overages/shortages could not be determined.

According to the former county clerk, it was office practice that customer charges be treated as overages and shortages each day and combined with the true overages and shortages on the receipts ledger.

BALLARD COUNTY
 LYNN LANE, FORMER COUNTY CLERK
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2017
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-002 The Former Ballard County Clerk Did Not Properly Account For Customer Charges (Continued)

Because the former county clerk did not separate customer charges from overages/shortages, the former county clerk was not able to determine the amount of accounts receivables outstanding at year-end. As a result, the auditor was not able to determine if any outstanding receivables were subsequently collected. Because customer charges were not accounted for properly, there is an increased risk that customers could have received services without paying for them. Also, there is an increased risk that accounts receivable could be used to cover up misappropriation of assets.

Strong internal controls dictate that customer charges are accounted for properly to ensure that assets are protected against misappropriation. Separating customer charges from overages and shortages also allows the county clerk to identify trends and common sources of errors.

The former Ballard County Clerk should have accounted for customer charges separately from overages and shortages to help with reconciliation purposes and also to help protect assets from misappropriation. We recommend the county clerk's office properly account for customer charges.

Former County Clerk's Response: Charges are reviewed on a regular basis and are kept in a separate folder. When POS charges are paid, they are accounted for on the daily sheet with proper documentation attached to the daily sheet. We even had a separated folder for all paid charges for 2017 - with the charge and the paid receipt attached together. Again, I would like to emphasize that charges are reviewed on a regular basis and if not paid on a timely basis, the customer is contacted until the charge is paid. There are not great number of charges and these are mostly from dealers (car) and the amounts are small - \$6 (Title) maybe \$22 (TLS), not large amounts. Recording charges are separate from automobile transactions but they also are constantly reviewed and collected on a timely basis. This matter is taken very seriously by me and my staff.

Auditor's Reply: The county clerk was unable to provide documentation for all accounts receivable transactions.

2017-003 The Former Ballard County Clerk Failed To Maintain Complete And Accurate Timesheets For Employees

This is a repeat finding and was included in the prior year audit report as finding 2016-003. In calendar year 2017, the county clerk failed to maintain accurate timesheets for her full-time employees. The timesheets for those employees did not show a breakdown of hours worked each day. Timesheets also did not indicate if an employee took vacation or sick leave. Instead the timesheets only showed the total number of regular hours worked during the pay period. Also timesheets did not show overtime hours worked. According to the clerk, it is an office practice that only the total regular hours worked each period are documented on the timesheets. Because complete and accurate timesheets were not maintained, there is an increased risk that employees were not properly compensated. Also, because the county clerk failed to maintain complete and accurate timesheets, she was not in compliance with KRS 337.320(1).

KRS 337.320(1) states:

Every employer shall keep record of:

- (a) The amount paid each pay period to each employee;
- (b) The hours worked each day and each week by each employee; and
- (c) Such other information as the commissioner requires.

BALLARD COUNTY
LYNN LANE, FORMER COUNTY CLERK
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2017
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

20170-003 The Former Ballard County Clerk Failed To Maintain Complete And Accurate Timesheets For Employees (Continued)

Good internal controls dictate that complete and accurate timesheets are maintained to ensure that employees are properly compensated.

The former Ballard County Clerk should have maintained complete and accurate timesheets for all employees. The timesheets should have shown the total hours worked each day, including overtime hours and vacation or sick leave used by each employee. We recommend the county clerk's office maintain complete and accurate timesheets.

Former County Clerk's Response: Timesheets were kept and signed by the employees. Vacations were noted in a daily notebook kept by me, the clerk. Sick days were kept separately in the daily book also.