

**REPORT OF THE AUDIT OF THE  
GREEN COUNTY  
CLERK**

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



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

The Honorable John H. Frank, Green County Judge/Executive  
The Honorable Billy Joe Lowe, Green County Clerk  
Members of the Green County Fiscal Court

Independent Auditor's Report

**Report on the Financial Statement**

We have audited the accompanying Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the County Clerk of Green 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.

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The Honorable John H. Frank, Green County Judge/Executive  
The Honorable Billy Joe Lowe, Green County Clerk  
Members of the Green 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 Green 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 Green 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 Green 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 October 2, 2018, on our consideration of the Green 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 Green County Clerk's internal control over financial reporting and compliance.

The Honorable John H. Frank, Green County Judge/Executive  
The Honorable Billy Joe Lowe, Green County Clerk  
Members of the Green 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 Green County Clerk's Office Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, And Reconciliations
- 2017-002 The Green County Clerk Lacks Adequate Internal Controls Over Payroll Information Processed By A Service Organization
- 2017-003 The Green County Clerk Did Not Maintain Proper Internal Controls Over Payroll
- 2017-004 The Green County Clerk Did Not Require Third-Party Purchasers Of Delinquent Tax Bills To Make Deposits And Payments In Accordance With 103 KAR 5:180

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

October 2, 2018

GREEN COUNTY  
 BILLY JOE LOWE, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2017

Receipts

State Grants - Libraries and Archives	\$	7,625	
State Revenue Supplement			66,599
State Fees For Services			3,030
Fiscal Court			3,217
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	377,997	
Usage Tax		430,265	
Tangible Personal Property Tax		881,223	
Notary Fees		1,242	
Lien Release Fees		6,624	
Miscellaneous Income		3,960	
Other-			
Marriage Licenses		2,947	
Deed Transfer Tax		25,500	
Delinquent Tax		123,174	1,852,932
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		8,089	
Real Estate Mortgages		16,750	
Chattel Mortgages and Financing Statements		34,259	
Powers of Attorney		1,228	
Affordable Housing Trust		11,460	
All Other Recordings		8,497	
Charges for Other Services-			
Candidate Filing Fees		1,400	
Copywork		615	
Postage		486	82,784
Interest Earned			353
Total Receipts			2,016,540

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



GREEN COUNTY  
 BILLY JOE LOWE, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2017  
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 269,346	
Usage Tax	416,056	
Tangible Personal Property Tax	316,874	

Licenses, Taxes, and Fees-

Delinquent Tax	10,655	
Legal Process Tax	11,295	
Affordable Housing Trust	11,460	\$ 1,035,686

Payments to Fiscal Court:

Tangible Personal Property Tax	79,108	
Delinquent Tax	9,498	
Deed Transfer Tax	24,224	112,830

Payments to Other Districts:

Tangible Personal Property Tax	449,929	
Delinquent Tax	66,299	516,228

Payments to Sheriff

10,640

Payments to County Attorney

15,296

Tax Bill Preparation

2,240

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	101,333	
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Employee Benefits-

Employer's Share Social Security	14,830	
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Contracted Services-

Payroll Preparation	6,555	
Software Maintenance	14,400	
Advertising	1,173	
Special Project - Libraries and Archives	7,625	

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

GREEN COUNTY  
 BILLY JOE LOWE, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2017  
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Materials and Supplies-			
Office Supplies	\$	12,537	
Other Charges-			
Conventions and Travel		2,383	
Dues		780	
Postage		2,863	
Refunds		1,808	
Telephone/Cable/Internet		3,538	
Uncollected Returned Checks		1,789	
Bank Charges		20	
Miscellaneous		<u>1,615</u>	\$ 173,249
Capital Outlay-			
Office Equipment			<u>4,002</u>
Total Disbursements			<u>\$ 1,870,171</u>
Net Receipts			146,369
Less: Statutory Maximum			<u>85,085</u>
Excess Fees			61,284
Less: Expense Allowance		3,600	
Training Incentive Benefit		<u>4,052</u>	<u>7,652</u>
Excess Fees Due County for 2017			53,632
Payment to Fiscal Court - February 16, 2018			<u>52,402</u>
Balance Due Fiscal Court at Completion of Audit			<u>\$ 1,230</u>

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

GREEN 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.

GREEN 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:

<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, 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.

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

Note 3. Deposits

The Green 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 county clerk's deposits may not be returned. The Green County Clerk does 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.

Note 4. Grant

During calendar year 2016, the Green County Clerk's office received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$7,625. As of January 1, 2017, the grant balance was \$7,625. Funds totaling \$7,625 were expended during calendar year 2017. The unexpended grant balance as of December 31, 2017, was \$0.

Note 5. Related Party Transaction

The Green County Clerk owns and operates a vending machine in the Green County courthouse. Profits from the vending machine are retained by the county clerk personally.

Note 6. Lease Agreements

The Green County Clerk's office was committed to the following lease agreements as of December 31, 2017:

Item Purchased	Monthly Payment	Term Of Agreement	Ending Date	Principal Balance December 31, 2017
Computer Software	\$ 990	60 Months	10/31/19	\$ 21,780
Computer Software	210	58 Months	10/31/19	4,620
Total				<u>\$ 26,400</u>

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable John H. Frank, Green County Judge/Executive  
The Honorable Billy Joe Lowe, Green County Clerk  
Members of the Green 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 Green County Clerk for the year ended December 31, 2017, and the related notes to the financial statement and have issued our report thereon dated October 2, 2018. The Green 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 Green 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 Green County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Green County Clerk's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2017-001, 2017-002, and 2017-003 to be material weaknesses.

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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)

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Green 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 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 2017-003 and 2017-004.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

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

Mike Harmon  
Auditor of Public Accounts

October 2, 2018

## SCHEDULE OF FINDINGS AND RESPONSES

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GREEN COUNTY  
BILLY JOE LOWE, COUNTY CLERK  
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2017

FINANCIAL STATEMENT FINDINGS:

2017-001 The Green County Clerk's Office Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, And Reconciliations

---

This is a repeat finding and was included in the prior year audit report as finding 2016-001. The Green County Clerk's office lacks adequate segregation of duties over receipts, disbursements, and reconciliations. The county clerk prepares the daily deposit, prepares and signs checks, and posts to the receipts and disbursements ledger. The county clerk also prepares all weekly, monthly, and quarterly reports and bank reconciliations.

According to the county clerk, the condition is a result of a limited budget, which restricts the number of employees the county clerk can hire or delegate duties to. A lack of segregation of duties increases the county clerk's risk of misappropriation of assets, errors, and inaccurate financial reporting.

Segregation of duties over receipts, disbursements, and the reconciliation process or implementation of compensating controls, when needed because the number of staff is limited, is essential for providing protection to employees in the normal course of performing their duties and can also prevent inaccurate financial reporting and misappropriation of assets.

We recommend the county clerk strengthen internal controls by segregating these duties. If this is not feasible due to lack of staff, then strong oversight should be implemented. The employee 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.*

2017-002 The Green County Clerk Lacks Adequate Internal Controls Over Payroll Information Processed By A Service Organization

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This is a repeat finding and was included in the prior year audit report as finding 2016-002. The county clerk uses a Certified Public Accountant (CPA) to process all payroll transactions. The CPA firm is considered to be a service organization. At the end of each payroll period, the CPA receives from the county clerk the necessary information to process payroll including the clerk's salary information, hours for each employee to be paid, hourly rates, and a listing of required and authorized withholdings. The CPA processes this information and generates a payroll report, which the county clerk relies upon to pay himself and his employees. The CPA also prepares all monthly and quarterly withholding reports which the county clerk relies upon to pay state, city, and federal withholding amounts due; maintains individual earning records; and prepares W-2 forms for the county clerk and his employees. If an error occurs, the county clerk relies on the CPA to determine what caused the error and tell him how to fix it.

The county clerk relies on the CPA payroll service organization who prepares individual earnings records and sends the county clerk payroll reports for each pay period. The county clerk did not review these reports and used them to prepare payroll checks for himself and his employees.

As a result, there were numerous discrepancies between employee timesheets and the CPA prepared individual earnings records in relation to holidays and vacation/sick leave used as reported in finding 2017-003.

Without adequate internal controls in place to ensure all information processed by the CPA payroll service organization is accurate, there is a risk that payroll disbursements could be misstated or fraud relating to payroll could occur.

GREEN COUNTY  
 BILLY JOE LOWE, COUNTY CLERK  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2017  
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-002 The Green County Clerk Lacks Adequate Internal Controls Over Payroll Information Processed By A Service Organization (Continued)

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We recommend the county clerk implement internal controls over all information processed by the CPA to ensure all payroll calculations are accurate. This could be documented on payroll reports.

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

2017-003 The Green County Clerk Did Not Maintain Proper Internal Controls Over Payroll

---

This is a repeat finding and was included in the prior year audit report as finding 2016-003. The county clerk did not maintain proper internal control over timesheets and leave balances and did not adhere to his office policy relating to leave time.

The county clerk requires his employees to prepare timesheets and the county clerk reviews. Each pay period the county clerk provides a payroll summary to his service organization who prepares individual earnings records (IER's) which track hours worked, holiday hours, overtime hours worked, vacation leave, and sick leave. The county clerk relied on reports he received from his payroll service organization without reviewing the reports.

As a result, the following problems were noted concerning timesheets and individual earnings reports:

- The majority of timesheets were not dated by the employee preparing the timesheet and no dates of when the county clerk approved the timesheet.
- Three timesheets included the date employee prepared but the date was one to three days before the end of the pay period with no leave time noted on the timesheet.
- Thirty-five hours noted on timesheets as hours worked did not match the hours worked on IERs.
- One timesheet did not include enough detail to support regular hours worked on the IER.
- Holidays were not always noted on timesheets and were not noted on IERs at all.
- Two timesheets were not signed by the county clerk to indicate his review and approval.
- One timesheet was not signed by the employee.
- Vacation and sick leave per timesheets did not always match IERs.

KRS 337.320(1) requires that, "[e]very employer shall keep a 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."

Excess fees of the county clerk's office are ultimately paid to the fiscal court. This lack of maintaining proper documentation and lack of internal controls and monitoring of payroll increases the risk that the fiscal court could incur additional payroll liabilities. In addition, without accurate tracking of vacation and sick leave balances, there is an increased risk that employees could be paid for leave not earned.

We recommend the county clerk strengthen internal controls over the payroll process to ensure timesheets are accurately prepared and signed by all employees and dated for each pay period, are reviewed, approved, and signed and dated by the county clerk or his designee to ensure compliance with KRS 337.320(1). We recommend that all vacation and sick leave balances be tracked and monitored by the county clerk to ensure that his employees do not use more leave than what is allowed per the county clerk's office policy. We recommend the

GREEN COUNTY  
BILLY JOE LOWE, COUNTY CLERK  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended December 31, 2017  
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-003 The Green County Clerk Did Not Maintain Proper Internal Controls Over Payroll (Continued)

employees do not use more leave than what is allowed per the county clerk's office policy. We recommend the county clerk monitor his payroll service organization's reports and compare them to timesheets each pay period to ensure they are accurate. We recommend the county clerk track and monitor any compensation earned and used per his office policy the same as any other leave.

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

2017-004 The Green County Clerk Did Not Require Third-Party Purchasers Of Delinquent Tax Bills To Make Deposits And Payments In Accordance With 103 KAR 5:180

The Green County Clerk did not require third-party purchasers of delinquent tax bills to make deposits at the time of registration as required by 103 KAR 5:180 for priority tax bills and current tax bills.

According to the Green County Clerk, this occurred because he did not agree with the requirements set forth in 103 KAR 5:180 and chose to not make the deposits prior to the tax sale date.

Failure to collect deposits could 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. In addition, this resulted in non-compliance with 103 KAR 5:180.

103 KAR 5:180 Section 4 requires third party purchasers to 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 percent of tax bills listed on the purchaser's priority tax bill list and a deposit of 25 percent of the tax bills listed on the purchaser's current tax bill list. The deposits paid by the 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 and any balances should be refunded to the third party purchasers.

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

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