

**REPORT OF THE AUDIT OF THE  
HART COUNTY  
CLERK**

**For The Year Ended  
December 31, 2018**



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

The Honorable Joe Choate, Hart County Judge/Executive  
The Honorable Lisa Hensley Sanders, Hart County Clerk  
Members of the Hart 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 Hart County, Kentucky, for the year ended December 31, 2018, 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 Joe Choate, Hart County Judge/Executive  
 The Honorable Lisa Hensley Sanders, Hart County Clerk  
 Members of the Hart 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 Hart County Clerk on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Hart County Clerk, as of December 31, 2018, 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 Hart County Clerk for the year ended December 31, 2018, 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 June 21, 2019, on our consideration of the Hart 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 Hart County Clerk's internal control over financial reporting and compliance.

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

- 2018-001 The Hart County Clerk's Office Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, And Reconciliations
- 2018-002 The Hart County Clerk's Office Did Not Have Adequate Internal Controls Over Refunds And Daily Checkout Procedures

Respectfully submitted,



Mike Harmon  
 Auditor of Public Accounts

June 21, 2019

HART COUNTY  
LISA HENSLEY SANDERS, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2018

Receipts

State Revenue Supplement	\$	67,428	
State Fees For Services		6,560	
Fiscal Court			32,300
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	691,582	
Usage Tax		1,543,235	
Tangible Personal Property Tax		1,306,559	
Child Victim Fund		82	
Lien Release Fees		11,214	
Notary Fees		2	
Other-			
Marriage Licenses		5,006	
Transient Merchant Tax		20	
Deed Transfer Tax		49,148	
Delinquent Tax		231,943	3,838,791
Fees Collected for Services:			
Recordings-			
Bail Bonds		462	
Chattel Mortgages and Financing Statements		49,107	
Deeds, Easements and Contracts		12,415	
Leases		97	
Liens & Lis Pendens		2,677	
Powers of Attorney		2,338	
Releases		7,138	
Real Estate Mortgages		29,187	
Wills & Estate Settlements		600	
Affordable Housing Trust		19,338	
All Other Recordings		3,105	
Charges for Other Services-			
Candidate Filing Fees		2,610	
Copy Work		4,320	
Postage		1,073	
Overpayments		21,514	155,981

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

HART COUNTY  
 LISA HENSLEY SANDERS, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2018  
 (Continued)

Receipts (Continued)

Other:		
Miscellaneous		\$ 3,880
Interest Earned		<u>112</u>
Total Receipts		4,105,052

Disbursements

Payments to State:

Motor Vehicle-		
Licenses and Transfers	\$ 478,471	
Usage Tax	1,496,801	
Tangible Personal Property Tax	511,884	
Handicap Placards	832	
Licenses, Taxes, and Fees-		
Delinquent Tax	19,694	
Legal Process Tax	17,466	
Affordable Housing Trust	<u>19,338</u>	\$ 2,544,486

Payments to Fiscal Court:

Tangible Personal Property Tax	113,563	
Delinquent Tax	17,138	
Deed Transfer Tax	<u>46,690</u>	177,391

Payments to Other Districts:

Tangible Personal Property Tax	629,185	
Delinquent Tax	<u>123,890</u>	753,075

Payments to Sheriff 19,859

Payments to County Attorney 31,516

Tax Bill Preparation 4,036

Operating Disbursements:

Personnel Services-		
Deputies' Salaries	259,624	

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



HART COUNTY  
 LISA HENSLEY SANDERS, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2018  
 (Continued)

Disbursements (Continued)

Operating Disbursements: (Continued)

Employee Benefits-		
Employer's Share Social Security	\$	26,255
Employer's Paid Health Insurance		36,647
Contracted Services-		
Microfilming and Indexing Records		60
Lease		40,523
Office Equipment and Agreements		3,365
Materials and Supplies-		
Office Supplies		9,747
Other Charges-		
Advertising		6,249
Conventions and Travel		211
Dues		3,050
Postage		5,071
Bank Charges		150
Refunds		19,936
Insurance and Bonds		837
Election Expense		2,865
Miscellaneous		369
Uncollected Returned Checks		1,608
		<u>\$ 416,567</u>
Total Disbursements		<u>\$ 3,946,930</u>
Net Receipts		158,122
Less: Statutory Maximum		<u>86,880</u>
Excess Fees		71,242
Less: Expense Allowance	3,600	
Training Incentive Benefit	<u>4,137</u>	<u>7,737</u>
Excess Fees Due County for 2018		63,505
Payment to Fiscal Court - February 21, 2019		<u>63,505</u>
Balance Due Fiscal Court at Completion of Audit		<u>\$ 0</u>

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

HART COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2018

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

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

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

B. Basis of Accounting

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

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

- Interest receivable
- Collection on accounts due from others for 2018 services
- Reimbursements for 2018 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2018

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 clerk's office has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (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.

HART COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2018  
 (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.

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 KRS 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 19.18 percent for the first half of the year and 21.48 percent for the second half of the year.

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:

<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%

HART COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2018  
(Continued)

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

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

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

Benefits are covered under KRS 161.714 with exception of COLA and retiree health benefits after July 2003.

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous

Once members reach a minimum vesting period of 15 years, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5 percent. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5 percent cost of living adjustment (COLA) since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

Tier 2 member benefits are covered by KRS 161.714 with exception of COLA and retiree health benefits after July 2003. 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.

HART COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2018  
(Continued)

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

KRS Annual Financial Report and Proportionate Share Audit Report

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.

KRS 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 Hart 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 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, 2018, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Grant

The Hart County Clerk's office received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$42,016. Funds totaling \$10 were charged to the account for being dormant. The unexpended grant balance was \$42,006, as of December 31, 2018.

Note 5. Escrow Account

The Hart County Clerk's office maintains an escrow account for an unclaimed refund check. The balance on January 1, 2018, was \$1,374. During calendar year 2018, the funds were remitted to the Kentucky State Treasurer as required.

KRS 393.090 states that after three years, if the funds have not been claimed, they are presumed abandoned. Abandoned funds are required to be sent to the Kentucky State Treasurer pursuant to KRS 393.110.

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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 Joe Choate, Hart County Judge/Executive  
The Honorable Lisa Hensley Sanders, Hart County Clerk  
Members of the Hart 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 Hart County Clerk for the year ended December 31, 2018, and the related notes to the financial statement and have issued our report thereon dated June 21, 2019. The Hart 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 Hart 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 Hart County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hart 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 another deficiency that we consider to be a significant deficiency.

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 2018-001 to be a material weakness.



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 deficiency described in the accompanying Schedule of Findings and Responses as item 2018-002 to be a significant deficiency.

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Hart 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

The Hart 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 Hart 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

June 21, 2019

## SCHEDULE OF FINDINGS AND RESPONSES

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HART COUNTY  
LISA HENSLEY SANDERS, COUNTY CLERK  
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2018

INTERNAL CONTROL - MATERIAL WEAKNESS:

2018-001 The Hart County Clerk's Office Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, And Reconciliations

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The county clerk's office lacks adequate segregation of duties over receipts, disbursements, and reconciliations. Deputies who handle cash also prepare daily checkout sheets, deposits, and record receipts. The bookkeeper is responsible for preparing and signing checks and recording disbursements. The bookkeeper also calculates payroll manually and reports and pays all taxes to the appropriate tax agency. In addition, the bookkeeper prepares weekly, monthly, and quarterly reports and performs the monthly bank reconciliations.

According to the county clerk, the limited budget places restrictions on the number of employees the county clerk can hire and delegate duties to. The lack of adequate segregation of duties could result in undetected misappropriation of assets and inaccurate financial reporting.

Good internal controls dictate the same employee should not handle, record, and reconcile receipts. Furthermore, the same employee should not be responsible for preparing, recording, and reconciling disbursements. The segregation of duties over various accounting functions such as preparing deposits, recording receipts and disbursements, and preparing monthly reports, or the implementation of compensating controls is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. If this is not feasible due to budgetary constraints, cross checking procedures could be implemented and documented by the individual performing the procedure.

We recommend the county clerk strengthen internal controls by segregating these duties over receipts, disbursements, and the reconciliation process. If segregation of duties is not possible, strong oversight should be implemented. The employee providing this oversight should document his or her review by initialing all source documentation and ensure it is accurate.

*County Clerk's Response: I don't have enough employees to do what is recommended by the auditors or money to hire anymore employees.*

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY:

2018-002 The Hart County Clerk's Office Did Not Have Adequate Internal Controls Over Refunds And Daily Checkout Procedures

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This is a repeat finding that was included in the prior year audit report as finding 2017-001. The Hart County Clerk's office issues cash back for overpayments received by check instead of issuing a refund check. Cash refunds totaling \$7 were issued to customers who paid by check in the recording department on two out of the six days tested. In addition, the county clerk's procedures allow for title lien fees of \$22, or \$24 if late, to be refunded in cash when collected on the same check at the time of the vehicle transfer. The cash is then taken to the recording department across the hall to process in a different computer system. By entering the correct amount of the check, cash and checks per daily checkout sheets agree to the deposit tickets.

The county clerk allows cash back for overpayments made by check of less than \$5. In addition, the county clerk's office procedures require cash to be issued back when monies for title liens are included on the same check in order for the transaction to be processed in the recording department.

HART COUNTY  
LISA HENSLEY SANDERS, COUNTY CLERK  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended December 31, 2018  
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY: (Continued)

2018-002 The Hart County Clerk's Office Did Not Have Adequate Internal Controls Over Cash Back Transactions And Daily Checkout Procedures (Continued)

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Allowing cash refunds could result in undetected misappropriation of assets and inaccurate financial reporting. In addition, if the check received is returned to the county clerk's office for non-sufficient funds, the county clerk's office may not recover those funds.

The Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* states, "[d]isbursements by check only." Good internal controls dictate refunds for overpayments should be issued in the form it was originally received.

We recommend the county clerk's office issue checks for all overpayments to ensure proper documentation and authorization and refrain from issuing cash for overpayments received by check. We also recommend the county clerk develop internal control procedures for processing title liens which would not require cash back from a check payment in order to process in the recording computer system.

*County Clerk's Response: As soon as I can figure out something that will work for us. We are writing checks for refunds when a check is written for more than the amount is.*