

**REPORT OF THE AUDIT OF THE  
HOPKINS COUNTY  
CLERK**

**For The Year Ended  
December 31, 2020**



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

The Honorable Jack Whitfield, Hopkins County Judge/Executive  
The Honorable Keenan Cloern, Hopkins County Clerk  
Members of the Hopkins 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 Hopkins County, Kentucky, for the year ended December 31, 2020, 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 Jack Whitfield, Hopkins County Judge/Executive  
The Honorable Keenan Cloern, Hopkins County Clerk  
Members of the Hopkins 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 Hopkins 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 Hopkins County Clerk, as of December 31, 2020, 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 Hopkins County Clerk for the year ended December 31, 2020, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

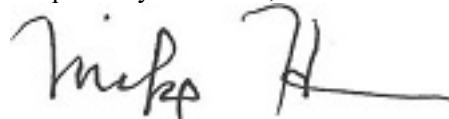
**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2021, on our consideration of the Hopkins 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 Hopkins 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 comment:

2020-001 The Hopkins County Clerk Failed To Include Storage Fees In Monthly Excess Fee Payments And Failed To Properly Obtain Bids For Items Purchased With Storage Fees

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

June 28, 2021

HOPKINS COUNTY  
KEENAN CLOERN, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2020

Receipts

Federal Grants		\$ 28,074
State Fees For Services		4,033
Fiscal Court		117,421
Licenses and Taxes:		
Motor Vehicle-		
Licenses and Transfers	\$ 1,601,990	
Usage Tax	4,237,096	
Tangible Personal Property Tax	4,286,081	
Notary Fees	6,242	
Other-		
Disabled Parking	7,170	
Marriage Licenses	11,037	
Library & Archives Fees	9,796	
Lien Fees	17,386	
Deed Transfer Tax	141,639	
Delinquent Tax	699,212	
Delinquent Tax Deposits	<u>515,710</u>	11,533,359
Fees Collected for Services:		
Recordings-		
Deeds, Easements, and Contracts	66,126	
Real Estate Mortgages	193,330	
Chattel Mortgages and Financing Statements	109,562	
Powers of Attorney	4,872	
Affordable Housing Trust	49,608	
All Other Recordings	46,677	
Charges for Other Services-		
Candidate Filing Fees	2,750	
Copy Work	2,162	
Postage	37,349	
Document Storage Fee	86,250	
Passports	5,743	
Miscellaneous	<u>6,220</u>	610,649
Interest Earned		<u>1,434</u>
Total Receipts		12,294,970

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

HOPKINS COUNTY  
 KEENAN CLOERN, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2020  
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 1,083,748	
Usage Tax	4,109,893	
Tangible Personal Property Tax	1,560,947	

Licenses, Taxes, and Fees-

State Boat Fee	86,850	
Delinquent Tax	56,699	
Legal Process Tax	36,859	
Disabled Parking	5,696	
Affordable Housing Trust	49,608	
Marriage License	<u>3,820</u>	\$ 6,994,120

Payments to Fiscal Court:

Tangible Personal Property Tax	334,852	
Delinquent Tax	79,774	
Deed Transfer Tax	<u>134,557</u>	549,183

Payments to Other Districts:

Tangible Personal Property Tax	2,218,839	
Delinquent Tax	<u>358,546</u>	2,577,385

Payments to Sheriff

55,365

Payments to County Attorney

93,863

Other Regulatory Payments:

Delinquent Tax Deposit Refunds		515,710
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Operating Disbursements:

Materials and Supplies-

Office Furniture & Equipment	75,000	
Que System	2,638	

Other Charges-

Bank Charges	828	
Bad Debt Expense	492	
Postage	9,206	
CARES Payments to Fiscal Court	<u>28,074</u>	<u>116,238</u>

Total Disbursements

\$ 10,901,864

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



HOPKINS COUNTY  
KEENAN CLOERN, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
For The Year Ended December 31, 2020  
(Continued)

Net Receipts	\$ 1,393,106
Less: Statutory Maximum	<u>109,969</u>
Excess Fees	1,283,137
Less: Expense Allowance	<u>3,600</u>
Excess Fees Due County for 2020	1,279,537
Payments to Fiscal Court - Monthly	<u>1,279,537</u>
Balance Due Fiscal Court at Completion of Audit	<u>\$ 0</u>

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

HOPKINS COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2020

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 2020 services
- Reimbursements for 2020 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2020

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).

D. Fee Pooling

The Hopkins County Clerk's office is required by the fiscal court to participate in a fee pooling system. Fee officials who are required to participate in fee pooling deposit all funds collected into their official operating account. The county clerk is responsible for paying all amounts collected for others, postage for election materials and passports, and applicable refunds to customers. Residual funds are then paid to the county treasurer on a monthly basis. Invoices are submitted to the county treasurer to document operating expenses. The fiscal court pays the operating expenses for the fee official.

HOPKINS COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2020  
 (Continued)

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

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

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 24.06 percent for 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:

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%

HOPKINS COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2020  
(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.

HOPKINS COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2020  
(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 Hopkins County Clerk maintained deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The DLG Manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the county clerk's deposits may not be returned. The Hopkins County Clerk does not have a deposit policy for custodial credit risk, but rather follows the requirements of the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of December 31, 2020, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Libraries and Archives Grant

The Hopkins County Clerk's office received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$6,269. Funds totaling \$0 were expended during the year. The unexpended grant balance was \$6,269, as of December 31, 2020.

Note 5. HAVA Grant

The Hopkins County Clerk's office received a Help America Vote Act grant from the Kentucky State Board of Elections in the amount of \$28,074. All funds related to the grant were paid over the fiscal court as of December 31, 2020.

HOPKINS COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2020  
(Continued)

Note 6. On Behalf Payments

The Hopkins County Clerk's office is required by the fiscal court to participate in a fee pooling system. Since the county clerk is fee pooling, the fiscal court pays the county clerk's statutory maximum and expense allowance as reflected on the county clerk's financial statement. For the year ended December 31, 2020, the fiscal court's contributions recognized by the county clerk included the amounts that were based on the statutory maximum as required by KRS 64.5275. The Hopkins County Clerk recognized receipts from the fiscal court and disbursements for the statutory maximum of \$109,969 and expense allowance of \$3,600, for the year ended December 31, 2020.

Note 7. Fiduciary Account

A. Escrow Account

The Hopkins County Clerk deposited outstanding checks into a custodial bank account. When statutorily required, the county clerk will turn over the escrowed funds to the Kentucky State Treasurer as unclaimed property. The county clerk's escrowed amounts were as follows:

2015	\$128
2016	\$323
2017	\$192
2018	\$5,346
2019	\$6

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 Jack Whitfield, Hopkins County Judge/Executive  
The Honorable Keenan Cloern, Hopkins County Clerk  
Members of the Hopkins 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 Hopkins County Clerk for the year ended December 31, 2020, and the related notes to the financial statement and have issued our report thereon dated June 28, 2021. The Hopkins 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 Hopkins County Clerk's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Hopkins County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hopkins County Clerk's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified a certain deficiency in internal control, which is described in the accompanying Schedule of Findings and Responses as item 2020-001 that we consider to be a significant deficiency.



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 Hopkins County Clerk's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

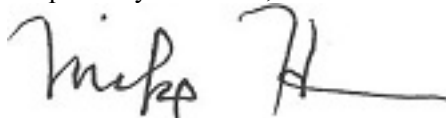
**Views of Responsible Official and Planned Corrective Action**

The Hopkins County Clerk's views and planned corrective action for the finding identified in our audit are described in the accompanying Schedule of Findings and Responses. The Hopkins County Clerk's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

**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

June 28, 2021

## SCHEDULE OF FINDINGS AND RESPONSES

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HOPKINS COUNTY  
KEENAN CLOERN, COUNTY CLERK  
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2020

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY:

2020-001 The Hopkins County Clerk Failed To Include Storage Fees In Monthly Excess Fee Payments And Failed To Properly Obtain Bids For Items Purchased With Storage Fees

The Hopkins County Clerk failed to properly handle and remit document storage fees received during calendar year 2020. These fees were kept in a separate account throughout the year and spent on office furniture and equipment, which is in violation of the Hopkins County Clerk's fee-pooling ordinance. In addition, the county clerk failed to bid the office furniture and equipment purchased from these fees. The county clerk purchased \$75,000 of furniture and equipment from the same vendor. The purchase was split into three invoices of \$25,000, and all invoices were dated the same day. The county clerk made three separate payments of \$25,000 each on the same day, resulting in \$75,000 in total.

According to the county clerk, it was thought that this new fee was intended for county clerk's offices and they got to keep the fees in house. Also, the county clerk was unaware of the bid requirements since each purchase was less than \$30,000. Since the county clerk did not include the document storage fees with all other fees collected, the county clerk's monthly excess fees were understated. In addition, since bidding procedures were not followed, it is possible the county clerk did not get the lowest price on the office furniture and equipment. Finally, the county clerk's purchases of the office furniture and equipment were not in compliance with the Hopkins County Clerk's fee-pooling ordinance.

Strong internal controls require management to monitor disbursements to ensure compliance with bid laws and the fee-pooling ordinance and purchases should not be split in order to be under the bid threshold. The Hopkins County Clerk's fee-pooling ordinance states, "In order to operate under the true intent of a fee pooling arrangement, the County Clerk will submit all expenditures for payment. The County Clerk may, however, out of his fee account, directly and without fee pooling or Fiscal Court approval, pay for any expenses related to postage for election materials and postage for passports."

In addition, KRS 424.260(1) states, "[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for materials, supplies except perishable meat, fish, and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than thirty thousand dollars (\$30,000) without first making newspaper advertisement for bids." As described by Kentucky's Attorney General in OAG 83-258, a county should determine its reasonable and anticipated needs for at least a year and cannot divide the necessary purchases so as to get purchases under the required level for bidding.

We recommend the county clerk treat the document storage fee the same as all other fees collected in the office. Also, we recommend all expenditures of the county clerk's office be in compliance with the fee-pooling ordinance and bids be obtained when required.

*County Clerk's Response: The \$10 document storage fee, which is included on every document filed in County Clerk's offices in Kentucky to provide County Clerk's offices with the funding and flexibility to make purchases on an as-need basis.*

*When KRS 64.012 (3) was created, I was advised by the Kentucky County Clerk's Association to create a separate checking account for the document storage fees. It was also understood that the funds had to be used by the end of each calendar year, and any unused funds shall be turned over to Fiscal Court as excess fees.*

HOPKINS COUNTY  
KEENAN CLOERN, COUNTY CLERK  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended December 31, 2020  
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY: (Continued)

2020-001 The Hopkins County Clerk Failed To Include Storage Fees In Monthly Excess Fee Payments And Failed To Properly Obtain Bids For Items Purchased With Storage Fees (Continued)

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*County Clerk's Response: (Continued)*

*I feel it necessary to describe the purchases in 2020 to said vendor. In November, our bookkeeping department flooded, and it was imperative that the office be gutted and rebuilt quickly as to not risk compromising permanent records. In December, said vendor redesigned our recording department with the priority of making the entrance wheelchair accessible. There were three separate invoices because items were ordered at different times. All invoices were paid on the same day, as the office received both of them on December 28th. I strongly feel that the items were purchased at the lowest possible rate. My record as County Clerk does and has always reflected fiscal responsibility to the taxpayers.*

*Remaining funds in the document storage fee account were turned over to Hopkins County Fiscal Court as excess fees.*

*County Attorney will recommend to Fiscal Court that they amend our current ordinance to comply with auditor's recommendation. County Clerk will require invoice in a timely manner and will bid out any services or inventory to comply with bid law.*