

**REPORT OF THE AUDIT OF THE  
LIVINGSTON COUNTY  
CLERK**

**For The Year Ended  
December 31, 2016**



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**209 ST. CLAIR STREET  
FRANKFORT, KY 40601-1817  
TELEPHONE (502) 564-5841  
FACSIMILE (502) 564-2912**



CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT ..... 1

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS ..... 3

NOTES TO FINANCIAL STATEMENT ..... 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* ..... 11

SCHEDULE OF FINDINGS AND RESPONSES ..... 15

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

The Honorable Chris Lasher, Livingston County Judge/Executive  
The Honorable Sonya Williams, Livingston County Clerk  
Members of the Livingston 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 Livingston County, Kentucky, for the year ended December 31, 2016, 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 Chris Lasher, Livingston County Judge/Executive  
The Honorable Sonya Williams, Livingston County Clerk  
Members of the Livingston 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 Livingston 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 Livingston County Clerk, as of December 31, 2016, 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 Livingston County Clerk for the year ended December 31, 2016, 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 September 19, 2017, on our consideration of the Livingston 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 entity’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:

- 2016-001 The County Clerk Overspent The Maximum Salary Limit Fixed By The Fiscal Court
- 2016-002 The County Clerk Had Disallowed Overdraft Charges Of \$35
- 2016-003 The County Clerk Lacks Adequate Segregation Of Duties

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

September 19, 2017

LIVINGSTON COUNTY  
 SONYA WILLIAMS, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2016

Receipts

|  |    |                |           |
|--|----|----------------|-----------|
| State Grants                               | \$ | 9,772          |           |
| State Revenue Supplement                   |    |                | 65,777    |
| State Fees For Services                    |    |                | 2,264     |
| Fiscal Court                               |    |                | 3,042     |
| Licenses and Taxes:                        |    |                |           |
| Motor Vehicle-                             |    |                |           |
| Licenses and Transfers                     | \$ | 428,892        |           |
| Usage Tax                                  |    | 843,975        |           |
| Tangible Personal Property Tax             |    | 950,161        |           |
| Other-                                     |    |                |           |
| Fish and Game Licenses                     |    | 4,845          |           |
| Marriage Licenses                          |    | 2,414          |           |
| Deed Transfer Tax                          |    | 28,861         |           |
| Delinquent Tax                             |    | <u>107,324</u> | 2,366,472 |
| Fees Collected for Services:               |    |                |           |
| Recordings-                                |    |                |           |
| Deeds, Easements, and Contracts            |    | 8,121          |           |
| Real Estate Mortgages                      |    | 11,257         |           |
| Chattel Mortgages and Financing Statements |    | 33,616         |           |
| Affordable Housing Trust                   |    | 9,072          |           |
| All Other Recordings                       |    | 7,864          |           |
| Charges for Other Services-                |    |                |           |
| Copywork                                   |    | 4,309          |           |
| Postage                                    |    | <u>2,075</u>   | 76,314    |
| Other:                                     |    |                |           |
| Miscellaneous                              |    | 5,530          |           |
| IRS Lien Fees                              |    | <u>120</u>     | 5,650     |
| Interest Earned                            |    |                | <u>81</u> |
| Total Receipts                             |    |                | 2,529,372 |

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

LIVINGSTON COUNTY  
 SONYA WILLIAMS, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2016  
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 323,741

Usage Tax 817,066

Tangible Personal Property Tax 376,847

Licenses, Taxes, and Fees-

Fish and Game Licenses 4,776

Delinquent Tax 11,162

Legal Process Tax 9,793

Affordable Housing Trust 9,072 \$ 1,552,457

Payments to Fiscal Court:

Tangible Personal Property Tax 67,957

Delinquent Tax 10,434

Deed Transfer Tax 27,418 105,809

Payments to Other Districts:

Tangible Personal Property Tax 467,351

Delinquent Tax 52,492 519,843

Payments to Sheriff 9,203

Payments to County Attorney 14,793

Tax Bill Preparation 2,178

Operating Disbursements:

Personnel Services-

Deputies' Salaries 136,681

Materials and Supplies-

Office Supplies 3,648

Other Charges-

Conventions and Travel 3,098

Dues 919

Bank Charges 181



LIVINGSTON COUNTY  
 SONYA WILLIAMS, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2016  
 (Continued)

Disbursements (Continued)

Operating Disbursements: (Continued)

Other Charges-(Continued)

|  |    |              |                  |
|--|----|--------------|------------------|
| Bad Check Expense                                | \$ | 564          |                  |
| Overpayments                                     |    | 435          |                  |
| Election Expense                                 |    | 1,459        |                  |
| Office Equipment                                 |    | 11,250       |                  |
| Miscellaneous                                    |    | <u>4,790</u> | \$ 163,025       |
| Libraries & Archives Grant                       |    |              | <u>9,772</u>     |
| Total Disbursements                              |    |              | \$ 2,377,080     |
| Less: Disallowed Disbursement                    |    |              |                  |
| Overdraft Bank Charges                           |    |              | <u>35</u>        |
| Total Allowable Disbursements                    |    |              | <u>2,377,045</u> |
| Net Receipts                                     |    |              | 152,327          |
| Less: Statutory Maximum                          |    |              | <u>77,402</u>    |
| Excess Fees                                      |    |              | 74,925           |
| Less: Expense Allowance                          |    | 3,600        |                  |
| Training Incentive Benefit                       |    | <u>3,969</u> | <u>7,569</u>     |
| Excess Fees Due County for 2016                  |    |              | 67,356           |
| Payment to Fiscal Court - March 10, 2017         |    |              | <u>68,285</u>    |
| Balance Due Fiscal Court at Completion of Audit* |    |              | <u>\$ (929)</u>  |

\* - The county clerk presented a check in the amount of \$68,285 to the fiscal court for excess fees on March 10, 2017. An overpayment of excess fees totaling \$929 is due back to the county clerk.

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

LIVINGSTON COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2016

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 2016 services
- Reimbursements for 2016 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2016

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.

LIVINGSTON COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2016  
 (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 the plan. The county's contribution rate for nonhazardous employees was 17.06 percent for the first six months and 18.68 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.

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.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. 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.

LIVINGSTON COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2016  
(Continued)

Note 3. Deposits

The Livingston 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 Livingston 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, 2016, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Libraries and Archives Grant

The Livingston County Clerk's office received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$9,772. Funds totaling \$9,772 were expended during the year. The unexpended grant balance was \$0 as of December 31, 2016.

Note 5. Software Service Agreement

On March 1, 2012, the Livingston County Clerk entered into a hardware service agreement and a software license agreement with a vendor for the rights to use their software and technical support. Under the terms of the agreements, the county clerk agrees to pay \$205 per month for the hardware service agreement and \$600 per month for the software license agreement, for a total monthly obligation of \$805. The county clerk uses this software program to maintain all recordings filed at the clerk's office in electronic format. The agreements run through February 2017. The county clerk was in compliance with the terms of the agreement as of December 31, 2016.

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 Chris Lasher, Livingston County Judge/Executive  
The Honorable Sonya Williams, Livingston County Clerk  
Members of the Livingston 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 Livingston County Clerk for the year ended December 31, 2016, and the related notes to the financial statement and have issued our report thereon dated September 19, 2017. The Livingston 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 Livingston 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 Livingston County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Livingston 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.

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 2016-003 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)

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Livingston 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 2016-001 and 2016-002.

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

The Livingston County Clerk's views and corrective action for the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Livingston 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

September 19, 2017



SCHEDULE OF FINDINGS AND RESPONSES

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LIVINGSTON COUNTY  
SONYA WILLIAMS, COUNTY CLERK  
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2016

STATE LAWS AND REGULATIONS:

2016-001 The County Clerk Overspent The Maximum Salary Limit Fixed By The Fiscal Court

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The county clerk overspent her maximum salary limitation as fixed by the fiscal court by \$3,561. The Livingston County Fiscal Court fixed the deputies' maximum salary limitation at \$133,120; however, the county clerk expended \$136,681. This was allowed to occur because the county clerk did not properly monitor payroll costs. By overspending the salary limit fixed by the fiscal court, the county clerk was not in compliance with KRS 64.530(3) and denied the county an additional \$8,601 of excess fees.

KRS 64.530(3) states, in part, "[t]he fiscal court shall fix annually the reasonable maximum amount, including fringe benefits, which the officer may expend for deputies and assistants, and allow the officer to determine the number to be hired and the individual compensation of each deputy and assistant."

We recommend the county clerk monitor her payroll disbursements during the year and obtain any necessary amendments to the maximum salary limitation fixed by the fiscal court before the calendar year end.

*County Clerk's Response: In this finding, it was noted the county clerk overspent the maximum salary limit fixed by the fiscal court. This is an accurate finding. The county clerk did not accurately predict overtime worked by the deputies for the 2016 calendar year. Some, but not all, of the overtime accrued can be accounted for on the two election seasons for this particular year.*

*This finding will be improved upon by adding a slight percent increase when figuring the deputies' salaries for each year's new budget. The county clerk has a year to year spreadsheet that aids in figuring the deputies' new salaries. In the future, when editing the new proposed salaries, a column will be added to the already set formulas, that will add a small percent increase to assist in determining overtime. Another way to improve upon this finding will be to better monitor the budget throughout the year by observing the line item containing the deputies' salaries, to ensure it has not surpassed the proposed amount. If this should occur, the budget will be amended and presented to the fiscal court for approval.*

2016-002 The County Clerk Had Disallowed Overdraft Charges Of \$35

---

The county clerk transferred \$35 from the 2016 account to cover insufficient funds bank charges in the 2015 account and failed to repay the 2016 fee account. The county clerk did not properly account for outstanding checks at year end, but rather transferred these funds to the fiscal court as excess fees paid. One of the outstanding checks subsequently cleared the bank after excess fees had been paid to the fiscal court, causing an overdraft fee of \$35 to be charged to the county clerk's 2015 fee account. The county clerk used 2016 funds to pay the 2015 fee account overdraft. The amount paid to the fiscal court for 2016 excess fees was shorted by \$35.

In accordance with Funk vs. Milliken, 317 S.W.2d 499 (Ky. 1958), Kentucky's highest court ruled that county fee officials' disbursements of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not primarily personal in nature.

We recommend the county clerk repay \$35 from her personal funds to the fiscal court.

LIVINGSTON COUNTY  
 SONYA WILLIAMS, COUNTY CLERK  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2016  
 (Continued)

STATE LAWS AND REGULATIONS: (Continued)

2016-002 The County Clerk Had Disallowed Overdraft Charges Of \$35 (Continued)

*County Clerk's Response: The county clerk transferred \$35.00 from the 2016 general fee account to the 2015 general fee account to pay the bank service charge fee for being overdrawn. This occurred because a taxing district cashed their tangible tax check two months after it being issued in December 2015, after excess fees had been submitted to fiscal court and the account had been zeroed out.*

*In order to rectify this finding, the county clerk will repay \$35.00 of personal funds to the fiscal court.*

INTERNAL CONTROL - MATERIAL WEAKNESS:

2016-003 The County Clerk Lacks Adequate Segregation Of Duties

This is a repeat finding and was included in the prior year audit report as finding 2015-002. The Livingston County Clerk prepares daily deposits, prepares and signs checks, posts to receipts and disbursements ledgers, prepares monthly bank reconciliations, prepares quarterly reports, and occasionally collects cash from customers. According to the county clerk, she prefers to be responsible for these processes since she is ultimately liable for the activity of the county clerk's office.

Due to the lack of independent review, the following issues were noted:

- The county clerk's 2016 final settlement was not approved until March 28, 2017.
- State and fiscal court payments are improperly posted as miscellaneous revenues.
- 2016 fee account funds of \$49,600 were transferred to the 2015 account to cover a reconciliation error and then later returned.
- 2016 funds of \$285 were used to cover a 2015 account deficit due to an outstanding check that was treated as a void rather than escrowed.
- The county clerk failed to remit a delinquent tax payment of \$708 to the state for July 2016 delinquent tax collections.

A proper segregation of duties is essential for providing protection from undetected errors. Additionally, a proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the county clerk separate the duties involved in writing checks, posting to the receipts and disbursements ledgers, preparing monthly bank reconciliations, and preparing quarterly reports. We recommend the clerk implement procedures to reduce year-end reconciliation errors.

*County Clerk's Response: In this finding, it was noted the final settlement was not approved until March 28, 2017. Though true, this occurred due to an unforeseen circumstance. A taxing district cashed a December 2015 tangible tax check several weeks into the new year of 2016. At that time, the excess fees from the clerk's office had already been turned over to the fiscal court, therefore, turning the zero balance of the clerk's general fee account from a zero to a negative balance of \$285.00. At the next fiscal court meeting, the negative amount applied to the overdrawn clerk's account was requested and approved by the fiscal court. At the next month's fiscal court meeting on March 28, 2017 the clerk's final budget was approved.*

*In order to improve upon this finding, an ESCROW account has been opened to allow outstanding checks at the end of each fiscal year to be escrowed. By adding this account, it will eliminate future occurrences such as the one described above.*