

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

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



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Timothy E. Graves, Washington County Judge/Executive
The Honorable Glenn Black, Former Washington County Clerk
The Honorable Teresa Marrinan, Washington County Clerk
Members of the Washington County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the former County Clerk of Washington 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 Timothy E. Graves, Washington County Judge/Executive
The Honorable Glenn Black, Former Washington County Clerk
The Honorable Teresa Marrinan, Washington County Clerk
Members of the Washington County Fiscal Court

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

As described in Note 1 of the financial statement, the financial statement is prepared by the former Washington 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 former Washington 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 former Washington 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 August 16, 2019, on our consideration of the former Washington County Clerk’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the former Washington 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 Former Clerk’s Office Did Not Adequately Document Controls Designed To Provide Adequate Segregation Of Duties Over Receipts, Disbursements, And Reconciliations
- 2018-002 The Former Washington County Clerk Lacked Adequate Controls Over Payroll

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

August 16, 2019

WASHINGTON COUNTY
GLENN BLACK, FORMER 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			4,087
Fiscal Court			23,517
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$ 445,441		
Usage Tax		493,615	
Tangible Personal Property Tax		1,044,334	
Notary Fees		3,274	
Other-			
Fish and Game Licenses		5,124	
Marriage Licenses		2,201	
Deed Transfer Tax		38,135	
Delinquent Tax		92,420	
		<u>2,124,544</u>	
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		8,016	
Real Estate Mortgages		15,152	
Chattel Mortgages and Financing Statements		26,218	
Affordable Housing Trust		11,040	
All Other Recordings		8,185	
Charges for Other Services-			
Candidate Filing Fees		2,650	
Copy Work		6,771	
Postage		1,270	
Miscellaneous		494	
		<u>79,796</u>	

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

WASHINGTON COUNTY
 GLENN BLACK, FORMER COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2018
 (Continued)

Receipts (Continued)

Other:		
Tax Sale Registration		\$ 2,106
Interest Earned		<u>81</u>
Total Receipts		2,301,559

Disbursements

Payments to State:

Motor Vehicle-		
Licenses and Transfers	\$ 336,017	
Usage Tax	478,806	
Tangible Personal Property Tax	411,694	
Licenses, Taxes, and Fees-		
Fish and Game Licenses	4,983	
Delinquent Tax	6,921	
Legal Process Tax	9,270	
Affordable Housing Trust	<u>11,040</u>	\$ 1,258,731

Payments to Fiscal Court:

Tangible Personal Property Tax	62,168	
Delinquent Tax	6,045	
Deed Transfer Tax	<u>36,226</u>	104,439

Payments to Other Districts:

Tangible Personal Property Tax	521,428	
Delinquent Tax	<u>51,906</u>	573,334

Payments to Sheriff		7,798
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The accompanying notes are an integral part of this financial statement.

WASHINGTON COUNTY
 GLENN BLACK, FORMER COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2018
 (Continued)

Disbursements (Continued)

Payments to County Attorney	\$	11,850	
Tax Bill Preparation		1,955	
Operating Disbursements and Capital Outlay:			
Personnel Services-			
Deputies' Salaries	\$	116,751	
Part-Time Salaries		20,363	
Employee Benefits-			
Employer's Share Social Security		17,689	
Contracted Services-			
Contract Labor		2,664	
Advertising		32	
Contract Services		9,586	
Materials and Supplies-			
Office Supplies		10,754	
Other Charges-			
Conventions and Travel		967	
Dues		780	
Postage		3,459	
Miscellaneous		1,008	184,053
Capital Outlay-			
Office Equipment		11,718	<u>11,718</u>
Total Disbursements			<u>\$ 2,153,878</u>
Net Receipts			147,681
Less: Statutory Maximum			<u>86,880</u>
Excess Fees			60,801
Less: Expense Allowance		3,600	
Training Incentive Benefit		4,137	<u>7,737</u>
Excess Fees Due County for 2018			53,064
Payment to Fiscal Court - February 21 2019			<u>46,000</u>
Balance Due Fiscal Court at Completion of Audit			<u>\$ 7,064</u>

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

WASHINGTON 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.

WASHINGTON 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:

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%

WASHINGTON 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.

WASHINGTON 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 former Washington 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 former county clerk did not have a deposit policy for custodial credit risk but rather followed 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. Lease Agreement

The Washington County Clerk's office was committed to a lease agreement for delinquent tax software. The agreement requires a monthly payment of \$200 for 60 months to be completed on March 31, 2019. The total balance of the agreement was \$600 as of December 31, 2018.

Note 5. Related Party Transactions

The former Washington County Clerk did business with a company co-owned by a deputy clerk's husband. The amount spent during the year ending December 31, 2018, was \$5,196.

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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 Timothy E. Graves, Washington County Judge/Executive
The Honorable Glenn Black, Former Washington County Clerk
The Honorable Teresa Marrinan, Washington County Clerk
Members of the Washington County Fiscal Court

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Former Washington County Clerk for the year ended December 31, 2018, and the related notes to the financial statement and have issued our report thereon dated August 16, 2019. The former Washington County Clerk's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the former Washington County Clerk's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the former Washington County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the former Washington 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 former Washington County Clerk's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2018-002.

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

August 16, 2019

SCHEDULE OF FINDINGS AND RESPONSES

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WASHINGTON COUNTY
GLENN BLACK, FORMER COUNTY CLERK
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2018

FINANCIAL STATEMENT FINDINGS:

2018-001 The Former Clerk's Office Did Not Adequately Document Controls Designed To Provide Adequate Segregation Of Duties Over Receipts, Disbursements, And Reconciliations

The former Washington County Clerk's office had established internal control procedures, but did not adequately document the performance of those procedures. All deputies collected cash. The former county clerk was responsible for performing the daily closeout, which was to be reviewed by the bookkeeper and then posted to the ledger by the bookkeeper. In addition, the clerk prepared the daily deposit. The deposit was to be reviewed and signed off by someone other than the clerk to document their review, and then taken to the bank by the clerk. The receipt documentation did not contain sign-off or initials of the individuals performing the procedure and/or reviewing the documentation. Invoices were to be reviewed by the former clerk. The bookkeeper prepared the disbursement checks after review and checks were to be signed off on by two people. Disbursements were posted to the ledger by the bookkeeper. Testing of invoices provided no indication of review by the former clerk. Finally, the monthly bank reconciliations were prepared by the bookkeeper and were to be reviewed by the former clerk. No documented review was noted on the monthly reconciliations.

The former clerk did not document review/approvals as this was not in his normal practice and he was not aware that he needed to sign off or initial the various items that he reviewed. By not adequately documenting review procedures, no evidence exists that a review occurred to ensure the accuracy of financial information.

Documentation of controls procedures performed is an essential component of a framework of internal controls. The formal documentation of the controls in place enhances accountability, consistency, and provides an additional layer of protection against misstated financial information.

We recommend the county clerk's office implement procedures to ensure all established controls procedures are properly documented. The oversight should be evidenced by the clerk, or a designee, initialing and dating the documentation reviewed.

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

2018-002 The Former Washington County Clerk Lacked Adequate Controls Over Payroll

The former county clerk did not require any full-time employees to maintain timesheets. Part-time employees were required to maintain timesheets; however, they were not signed by the employee or approved by the official. The former clerk also failed to maintain an official record of employee leave time earned or used.

The former county clerk failed to implement internal controls over payroll to ensure timesheets were required of all employees.

By not implementing effective controls over payroll, the former county clerk increased the risk of non-compliance and payroll errors. The failure to maintain leave balances renders the county clerk susceptible to disputes regarding compensated leave. Furthermore, since the former county clerk did not properly document hours worked by employees, he was not in compliance with KRS 337.320.

WASHINGTON COUNTY
GLENN BLACK, FORMER COUNTY CLERK
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2018
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-002 The Former Washington County Clerk Lacked Adequate Controls Over Payroll (Continued)

Strong internal controls over payroll are vital in ensuring that payroll is accounted for properly. In addition, strong internal controls over the timekeeping function ensures that employees are properly compensated for the hours actually worked. Maintaining leave balances is another important control that ensures employees are receiving the time that they are due and that they are using leave in accordance with county and office policies. These internal controls are also important in protecting the county's assets and those given the responsibility of accounting for them, as well as helping make certain the county is in compliance with state statutes.

Pursuant to KRS 337.320(1)(b), every employer is required to keep a record of the hours worked each day and each week by each employee.

We recommend that timesheets be properly maintained for all employees as required by KRS 337.320. All timesheets should be signed by the corresponding employee and his or her supervisor. A record of leave time earned and used should be maintained for each employee. An independent employee could review payroll reports prior to distribution of payroll checks. The comparison should verify amounts such as gross wages and withholding amounts and should be documented on the applicable payroll reports.

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