

**REPORT OF THE AUDIT OF THE
CALDWELL COUNTY
CLERK**

**For The Year Ended
December 31, 2024**



**ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS
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ALLISON BALL AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

The Honorable William D. Young, Caldwell County Judge/Executive
The Honorable Jennifer Hale, Caldwell County Clerk
Members of the Caldwell County Fiscal Court

Report on the Audit of the Financial Statement

Opinions

We have audited the accompanying Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the County Clerk of Caldwell County, Kentucky, for the year ended December 31, 2024, and the related notes to the financial statement.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statement presents fairly, in all material respects, the receipts, disbursements, and excess fees of the Caldwell County Clerk for the year ended December 31, 2024, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws as described in Note 1.

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 section of our report, the financial statement does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Caldwell County Clerk, as of December 31, 2024, or changes in financial position or cash flows thereof for the year then ended.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States, and the *Audit Program for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Caldwell County Clerk and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



The Honorable William D. Young, Caldwell County Judge/Executive
The Honorable Jennifer Hale, Caldwell County Clerk
Members of the Caldwell County Fiscal Court

Basis for Opinion (Continued)

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 Caldwell 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 and budget laws, 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 and pervasive.

Responsibilities of Management 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.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Caldwell County Clerk's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit 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 Caldwell County Clerk's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.

The Honorable William D. Young, Caldwell County Judge/Executive
The Honorable Jennifer Hale, Caldwell County Clerk
Members of the Caldwell County Fiscal Court

Auditor's Responsibilities for the Audit of the Financial Statement (Continued)

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Caldwell County Clerk's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we have identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2025, on our consideration of the Caldwell 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 solely 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 effectiveness of 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 Caldwell 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 findings:

- 2024-001 The Caldwell County Clerk Is Not Properly Managing The Duties Of Her Office
- 2024-002 The Caldwell County Clerk Did Not Properly Submit Her 2024 Fourth Quarter Financial Report Or Settle 2024 Excess Fees
- 2024-003 The Caldwell County Clerk Has Material Weaknesses Over The Recordkeeping And Reporting Functions
- 2024-004 The Caldwell County Clerk Lacks Adequate Segregation Of Duties Over Disbursements And The Reconciliation Process
- 2024-005 The Caldwell County Clerk Did Not Properly Distribute Tangible Personal Property Taxes
- 2024-006 The Caldwell County Clerk Does Not Have A Written Agreement To Protect Deposits

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, KY

September 30, 2025

CALDWELL COUNTY
JENNIFER HALE, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2024

Receipts

State Grant	\$ 39,109
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State Revenue Supplement	71,059
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State Fees For Services	7,135
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Fiscal Court	4,861
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$ 570,316
Handicap Placards	850
Usage Tax	1,769,344
Tangible Personal Property Tax	1,739,827
Lien Fees	9,512

Other-

Fish and Game Licenses	4,470
Marriage Licenses	3,354
City Vehicle Tax	24,968
Deed Transfer Tax	54,793
Delinquent Tax	103,107
Delinquent Tax Deposits	<u>1,950</u> 4,282,491

Fees Collected for Services:

Recordings-

Library and Archives	2,792
Deeds, Easements, and Contracts	34,731
Real Estate Mortgages	34,467
Chattel Mortgages and Financing Statements	31,609
Powers of Attorney	1,677
Affordable Housing Trust	12,228
Document Storage Fees	21,380
All Other Recordings	11,583

CALDWELL COUNTY
 JENNIFER HALE, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2024
 (Continued)

Receipts (Continued)

Fees Collected for Services (Continued):

Charges for Other Services-

Candidate Filing Fees	\$ 840
Copy Work	3,781
Postage	1,617
Notary Fees	3,346
OCC Liens	<u>3,568</u> \$ 163,619

Other:

Miscellaneous	1,293
Overpayments	<u>15,976</u> 17,269
Interest Earned	<u>2,020</u>
Total Receipts	4,587,563

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 433,342
Handicap Placards	264
Usage Tax	1,719,315
Tangible Personal Property Tax	634,442

Licenses, Taxes, and Fees-

Fish and Game Licenses	4,340
Delinquent Tax	9,511
Legal Process Tax	11,214
Affordable Housing Trust	<u>12,228</u> 2,824,656

Payments to Fiscal Court:

Tangible Personal Property Tax	146,049
Delinquent Tax	9,446
Deed Transfer Tax	47,880
Document Storage Fees	<u>21,380</u> 224,755

CALDWELL COUNTY
 JENNIFER HALE, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2024
 (Continued)

Disbursements (Continued)

Payments to Other Districts:

Tangible Personal Property Tax	\$ 890,558
Delinquent Tax	53,780
City of Princeton	<u>20,261</u> \$ 964,599

Payments to Sheriff	9,188
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Payments to County Attorney	13,395
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Tax Bill Preparation	2,783
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Other Regulatory Payments:

Delinquent Tax Deposit Refunds	4,131
Other Refunds	<u>3,446</u> 7,577

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	198,785
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Employee Benefits-

Employer's Share Social Security	23,361
Employer's Share Retirement	57,502

Contracted Services-

Labor	2,670
Advertising	21
Records Digitization - HB1 Grant	39,109

Materials and Supplies-

Office Supplies	8,511
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Other Charges-

Overpayments	10,463
Conventions and Travel	5,721
Dues	1,650
Telephone	7,734
Miscellaneous	2,831
Postage	9,104
Election Expense	500
OCC Liens	<u>3,652</u> 371,614

Capital Outlay-

Office Equipment	<u>2,295</u>
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CALDWELL COUNTY
 JENNIFER HALE, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2024
 (Continued)

Disbursements (Continued)

Total Disbursements	<u>\$ 4,420,862</u>
Net Receipts	166,701
Less: Statutory Maximum	<u>102,955</u>
Excess Fees	63,746
Less: Expense Allowance	\$ 3,600
Training Incentive Benefit	<u>2,577</u> <u>6,177</u>
Excess Fees Due County for 2024 *	<u>\$ 57,569</u>

* - The county clerk presented a check in the amount of \$40,000 to the fiscal court for excess fees on May 27, 2025. At the completion of the audit, the county clerk owes an additional \$17,569 in excess fees.

**CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENT**

December 31, 2024

Note 1. Summary of Significant Accounting Policies

A. Basis of Accounting

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. Authority for the regulatory basis is found in Kentucky Revised Statutes (KRS).

The Department for Local Government (DLG) is the regulatory agency responsible for establishing minimum accounting requirements for local government entities. The commissioner of the DLG is designated as the state local finance officer. (KRS 68.001). The DLG must prescribe and maintain “a uniform system of accounting and reporting on the receipt, use and handling of all public funds, other than taxes, due and payable to the state” from local government entities. (KRS 46.010(1)). The state local finance officer supervises the administration of the county uniform budget system and accounts and financial operations and must prescribe a “uniform system of accounts for all counties and county officials.” (KRS 68.210.) Under this authority, the DLG requires local governments to follow guidelines set forth in its *County Budget Preparation and State Local Finance Officer Policy Manual* (Manual) to meet the minimum required reporting for financial statement purposes.

The regulatory basis is outlined in the Manual and defines the measurement, presentation, disclosure, and recognition requirements for financial transactions when preparing regulatory basis financial statements. The Manual includes the standardized format for quarterly reporting to DLG.

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) as of December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2024 services
- Reimbursements for 2024 activities
- Payments due to other governmental entities for December tax and fee collections and payroll
- Payments due to vendors for goods or services provided in 2024

B. Measurement Focus and Excess Fees

The measurement focus of a fee official’s financial statement is upon current financial resources. A county clerk must remit to the fiscal court any income of his or her office, including the income from investments, that exceeds the sum of his or her maximum salary as permitted by the Constitution and other reasonable expenses, including compensation of deputies and assistants, when making his or her annual settlement. (KRS 64.152(2)). This settlement is due to the fiscal court by March 15 of each year. (KRS 64.152(1)). An outgoing clerk shall make a final settlement with the fiscal court by March 15 immediately following the expiration of his or her term of office. (KRS 64.830). The fiscal court shall collect any amount due from the county clerk as determined by the audit. (KRS 64.820.)

C. 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.

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2024
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. 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 has been governed by the CERS nine-member board of trustees since April 1, 2021. The Kentucky Public Pensions Authority (KPPA) was created by KRS 61.505, effective April 1, 2021, to provide staffing and daily administrative needs for CERS and Kentucky Retirement Systems. CERS 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, vesting requirements, and provisions are established by statute and are determined by participation date and hazardous or non-hazardous participation.

The county clerk's contribution for calendar year 2022 was \$77,786, calendar year 2023 was \$59,516, and calendar year 2024 was \$57,502. The county's contribution rate for nonhazardous employees for calendar year 2024 was 23.34% for the first six months and 19.71% for the last six months.

Other Post-Employment Benefits (OPEB)

CERS provides post-retirement health care, cost of living adjustments for all recipients of retirement benefits, and a retired member's death benefit, all determined by participation date and hazardous or non-hazardous participation.

Specific details about retiree pension and OPEB benefits can be found online at: <https://www.kyret.ky.gov/Publications>.

Kentucky Public Pension Authority's Annual Financial Report and Proportionate Share Audit Report

KPPA issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. Many of these annual reports are available online at <https://kyret.ky.gov>. Reports may also be obtained by writing the KPPA, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

KPPA 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.

CALDWELL COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2024
 (Continued)

Note 3. Deposits

The Caldwell County Clerk maintained deposits of public funds with federally insured banking institutions as required by the Manual. The 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 not met because the county clerk did not have a written agreement with the bank.

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 Caldwell County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of the Manual. On March 31, 2024, the county clerk's bank balance of \$591,320 was exposed to custodial credit risk because the county clerk failed to properly execute a security agreement to protect deposits.

Note 4. State Grant

The Caldwell County Clerk's Office received an e-recording grant from the Kentucky Department for Local Government in the amount of \$86,413. Funds totaling \$39,109 were expended during the year. The unexpended grant balance was \$47,304, as of December 31, 2024.

Note 5. Commitments: - Lease Agreements

The Caldwell County Clerk's Office was committed to the following lease agreements as of December 31, 2024:

Description	Effective Date	Length of Term	Frequency of Payments	Ending Date	Amount of Payments	Balance December 31, 2024
Postage Meter	1/30/2020	60 months	Monthly	1/29/2025	\$ 66	\$ 66
Phone System	7/18/2024	60 months	Monthly	7/17/2029	\$ 198	\$ 10,890

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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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

**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

The Honorable William D. Young, Caldwell County Judge/Executive
The Honorable Jennifer Hale, Caldwell County Clerk
Members of the Caldwell County Fiscal Court

We have audited, 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 Program for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky, the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Caldwell County Clerk for the year ended December 31, 2024, and the related notes to the financial statement and have issued our report thereon dated September 30, 2025. The Caldwell 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.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Caldwell 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 Caldwell County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Caldwell County Clerk's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2024-001, 2024-002, 2024-003, 2024-004, and 2024-005 to be material weaknesses.



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)

Report on Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Caldwell 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 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 2024-001, 2024-002, 2024-003, 2024-005, and 2024-006.

Views of Responsible Official and Planned Corrective Action

Government Auditing Standards require the auditor to perform limited procedures on the Caldwell County Clerk's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The Caldwell County Clerk's response was not subjected to the other auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the response.

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,



Allison Ball
Auditor of Public Accounts
Frankfort, KY

September 30, 2025

SCHEDULE OF FINDINGS AND RESPONSES

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CALDWELL COUNTY
JENNIFER HALE, COUNTY CLERK
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2024

2024-001 The Caldwell County Clerk Is Not Properly Managing The Duties Of Her Office

The Caldwell County Clerk is not fulfilling her duties as an elected official. We have noted the following deficiencies and noncompliances in the subsequent findings.

- The Caldwell County Clerk did not properly submit her 2024 fourth quarter financial report or settle 2024 excess fees.
- The Caldwell County Clerk has material weaknesses over the recordkeeping and reporting functions.
- The Caldwell County Clerk lacks adequate segregation of duties over disbursements and the reconciliation process.
- The Caldwell County Clerk did not properly distribute tangible personal property taxes.
- The Caldwell County Clerk does not have a written agreement to protect deposits.

The county clerk does not devote sufficient time to financial reporting and has not implemented policies and procedures to ensure all financial activity is compiled and reported timely. Additionally, the county clerk has failed to implement policies and procedures to ensure taxes are distributed to taxing districts timely. The county clerk is in violation of many statutes that govern fee office operations. Additionally, the governmental entities and taxing districts (state, county, school, library, health department, extension district, hospital, etc.) are being deprived of the resources they rely on to fulfill their financial obligations.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*. It is the statutory duty of the county clerk to collect and distribute motor vehicle taxes, delinquent taxes, and various taxes/fees on legal instruments. There are numerous statutes outlining the duties and responsibilities of the county clerk. Please refer to each individual finding below for more specific and detailed information.

We recommend the county clerk take immediate action to remedy the issues outlined in these findings and recommendations. Further, we recommend the county clerk implement policies and procedures for her office to ensure these issues are corrected for future periods.

County Clerk's Response: I agree with the auditors' summation of my shortcomings. I have been neglectful of my duties, especially in my financial reporting, due to spending entirely too much time in the motor vehicle department helping customers. I am now concentrating on my duties as clerk. I have made it clear to my employees that they are going to have to deal with customers themselves. I cannot complete my duties correctly or in a timely manner if I am not allowed to remain in my office and maintain concentration. My employees are great and I am working to make sure I explain and demonstrate all the actions they are required to perform. I am also working diligently to overcome these weaknesses by becoming more organized. I have made lists of all the duties that I must perform each day, week, and month. I am creating a filing system for all things that need to be done and things that have already been completed. I accidentally made payments from the previous month's report, in one instance; and had to go back and make things right once it was discovered. If I can become more organized as an individual, it will help me stay on top of the duties at hand and set an example for my employee's as well.

CALDWELL COUNTY
JENNIFER HALE, COUNTY CLERK
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2024
(Continued)

2024-002 The Caldwell County Clerk Did Not Properly Submit Her 2024 Fourth Quarter Financial Report Or Settle 2024 Excess Fees

The Caldwell County Clerk failed to submit her 2024 fourth quarter financial report to the Department for Local Government (DLG) within 30 days of the close of the calendar year as prescribed by KRS 68.210. Instead, the county clerk submitted her fourth quarter financial report on June 20, 2025. Additionally, the Caldwell County Clerk failed to submit an annual settlement for calendar year 2024 with the Caldwell County Fiscal Court by the March 15 deadline. Instead, the county clerk paid over \$40,000 in excess fees on May 28, 2025, as a partial payment until the correct amount of excess fees could be determined.

According to the county clerk, errors that occurred throughout the year caused delays in the preparation of her fourth quarter financial report and annual settlement. As of December 31, 2024, certain amounts were due to and due from the county clerk, which prevented her from being able to close out her 2024 fee account and make a settlement with the fiscal court. Because the county clerk did not submit her fourth quarter report to DLG by the 30th day following the close of the fourth quarter, the county clerk was not in compliance with KRS 68.210. Because the county clerk did not submit a settlement to fiscal court and pay over the excess of income over disbursements, the county clerk was not in compliance with KRS 64.152. Furthermore, delayed payment of excess fees increases the risk of misappropriation of funds and denies the county funds that could be used for the operation of the county.

KRS 46.010(2) requires, “each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements.” KRS 46.010(3) requires, “all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires.” Strong internal controls over the reporting of receipts and disbursements, as well as in the preparation of weekly and monthly reports, are necessary to ensure the accuracy and reliability of financial records and help ensure timely settlement with fiscal court.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires officials to submit quarterly reports to the Department for Local Government by the 30th day following the close of each quarter.

In addition, KRS 64.152(1) states, “[i]n counties containing a population of less than seventy-five thousand (75,000), the county clerk shall provide to the fiscal court by March 15 of each year a complete statement for the preceding calendar year of all funds received by his office in an official capacity or for official services, and of all expenditures of his office, including his salary, compensation of deputies and assistants, and reasonable expenses.

KRS 64.152(2) further states, “[a]t the time of filing the statement required by subsection (1) of this section, the clerk shall pay to the fiscal court any income of his office, including income from investments, which exceeds the sum of his maximum salary as permitted by the Constitution and other reasonable expenses, including compensation of deputies and assistants. The settlement for excess fees shall be subject to correction by audit conducted pursuant to KRS 43.070 or 64.810, and the provisions of this section shall not be construed to amend KRS 64.820.”

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2024-002 The Caldwell County Clerk Did Not Properly Submit Her 2024 Fourth Quarter Financial Report Or Settle 2024 Excess Fees (Continued)

We recommend the county clerk strengthen internal controls over financial reporting, including the preparation of weekly and monthly reports, to ensure proper amounts are paid out and that receipts and disbursements ledgers are accurate and may be used to prepare quarterly and year-end financial reports. Furthermore, we recommend the county clerk comply with KRS 68.210 and KRS 64.152 by submitting her fourth quarter financial report within 30 days of the close of the year and settling excess fees by the March 15 deadline.

County Clerk's Response: Although I had sent in all of my account numbers with the state and other payors/payees, I did not realize that these changes had not been received. I also did not have the previous year's account deleted from the ACH payment screen due to me still working on reconciliation of 2024. All of this caused errors. This includes payments being made out of the wrong account, as well as deposits going into wrong accounts. I have been working this year to make sure that does not happen again. I have opened two new accounts that will not have to be changed each year. I now have an account for web renewals and KYELT's, as well as another for credit card payments from our provider. I make payments from these accounts into my fee account, and this has made it easier to track income and payments. I have kept e-recording payment and usage tax collection and dispersal dependent upon my fee account.

2024-003 The Caldwell County Clerk Has Material Weaknesses Over The Recordkeeping And Reporting Functions

The Caldwell County Clerk has material weaknesses over the recordkeeping and reporting functions of the office. As a result, the county clerk's fourth quarter financial report submitted to the Department for Local Government (DLG) was materially misstated. The following problems were noted on the county clerk's fourth quarter report that resulted in audit adjustments:

- Misclassifications and posting errors in receipts totaled \$79,824.
- Misclassifications and posting errors in disbursements totaled \$150,627.
- Receipts were overstated by \$271,829 and disbursements were overstated by \$272,059 due to non-operating transactions resulting from deposit errors, overpayments, or mistakes made on the part of the county clerk's office.

The county clerk became a new official in calendar year 2023 and was not sure how to properly implement a strong internal control system over the recordkeeping and reporting functions of the office. Due to material weaknesses over the recordkeeping and reporting functions, the aforementioned errors occurred without being detected and corrected, thereby causing the fourth quarter financial statement to be materially misstated. Additionally, there is an increased risk of misappropriation, and the county clerk is not in compliance with KRS 68.210 and the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*.

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires."

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2024-003 The Caldwell County Clerk Has Material Weaknesses Over The Recordkeeping And Reporting Functions (Continued)

Strong and systematic internal controls over recordkeeping and reporting are vital to ensuring receipts and disbursements ledgers are maintained accurately and financial reports properly reflect the operating activities associated with that period.

Additionally, KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires accurate financial reporting. Fee officials use 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.

We recommend the Caldwell County Clerk strengthen internal controls over the recordkeeping and reporting functions of the office. Strict and systematic controls over checkout procedures, report preparations, and tax distributions should be implemented. We further recommend that the county clerk frequently compare the ledgers to the bank statements and quarterly financial reports to ensure that they are in agreement.

County Clerk's Response: I now have another set of eyes on each of my reports and payments. I have [name redacted] enter the dailies into my [software name redacted] program, I double check everything when completing my monthly reports. I now have two deputies training in reconciling the KAVIS daily reports. [Names redacted] can do daily reconciliation and check of reports. I rely on [names redacted] to check things if [name redacted] is not available. My new filing system and involvement of other individuals should help me clear up these misclassifications and posting errors.

2024-004 The Caldwell County Clerk Lacks Adequate Segregation Of Duties Over Disbursements And The Reconciliation Process

This is a repeat finding and was included in the prior year audit report as finding 2023-001. The Caldwell County Clerk's Office does not have adequate segregation of duties. The county clerk prepares monthly and quarterly reports, posts disbursements to the ledgers, writes and signs checks, and performs the monthly bank reconciliations. The county clerk indicated this condition is a result of a limited budget, which restricts the number of employees the Caldwell County Clerk's Office can hire for accounting functions. A lack of oversight could result in the undetected misappropriation of assets or inaccurate financial reporting to external agencies such as Department for Local Government.

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires." A lack of adequate segregation of duties is a basic internal control necessary to ensure the accuracy and reliability of financial reports. Proper segregation of duties over the accounting and reporting functions or the implementation of compensating controls is essential to protect against errors occurring and remaining undetected. Additionally, a proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

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2024-004 The Caldwell County Clerk Lacks Adequate Segregation Of Duties Over Disbursements And The Reconciliation Process (Continued)

We recommend the county clerk separate the duties involved in posting to the disbursement ledgers, preparing checks, preparing monthly bank reconciliations, and preparing weekly and quarterly reports. If this is not feasible due to a limited budget, cross-checking procedures could be implemented and documented by the individual performing the procedure.

County Clerk's Response: To remedy the lack of segregation of duties I have new office policies in place. I have extended the responsibilities of my deputies so that they are involved in payments. I now have three deputies that are capable of making payments to the state: [names redacted]. I now require all payments to be watched and checked by another individual, whether it be myself or one of these deputies, to make sure the payments are made correctly. Beginning in January, I have put [name redacted] in charge of entering daily totals into my computer. I double check these entries when filling in pages created to double check the amounts. I print these off to include with my report filings.

2024-005 The Caldwell County Clerk Did Not Properly Distribute Tangible Personal Property Taxes

The Caldwell County Clerk did not properly distribute tangible personal property (ad valorem) taxes for calendar year 2024. For the month of April 2024, the county clerk overpaid taxes to the state and library by \$131,804 and \$2,334, respectively. Additionally, the county clerk underpaid taxes to the Caldwell County Board of Education for the months of June 2024 and September 2024 by \$42,266 and \$30,000, respectively. In addition to the wrong amounts being paid to the taxing districts, payments were not made timely as required by state statute. Payments for the month of January 2024 were not made until March 11, 2024. Payments for the month of April 2024 were not made until May 28, 2024. According to the county clerk, payments made to these districts for ad valorem taxes were not properly reconciled to the monthly reports first to ensure their accuracy. As a result, the state was overpaid ad valorem taxes by \$131,804, the library was overpaid by \$2,334, and the school district was underpaid by \$72,266. These errors resulted in the county clerk's inability to settle excess fees with the fiscal court because of the amounts due back from the districts and additional amounts owed. And the county clerk's failure to make timely payments resulted in the county clerk's noncompliance with KRS 134.815.

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires." The review of monthly reports and the reconciliation of those reports to underlying accounting records are basic internal controls necessary to ensure the accuracy and reliability of financial reports.

KRS 134.815(1) states, "[t]he county clerk shall, by the tenth of each month, report under oath and pay to the state, county, city, urban-county government, school, and special taxing districts all ad valorem taxes on motor vehicles collected by him for the preceding month, less the collection fee of the county clerk, which shall be deducted before payment to the depository. The county clerk shall be required to deposit state collections in a manner consistent with procedures established by the department for the prompt payment to the state of other state tax moneys collected by the county clerk."

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2024-005 The Caldwell County Clerk Did Not Properly Distribute Tangible Personal Property Taxes
(Continued)

We recommend the Caldwell County Clerk strengthen internal controls over the processing of monthly ad valorem tax reports. Prior to making payments to the districts, the county clerk, or a designee, should verify the accuracy of the reports and recalculate the amounts to be disbursed. This should include reconciling the monthly reports to the underlying accounting records and ledgers. We further recommend that the county clerk require all check signers to verify check amounts agree with the reports. These steps should be performed promptly at the end of each month to help ensure the correct amounts are made in a timely manner in compliance with KRS 134.815.

County Clerk's Response: I am having [name redacted] watch and double check me and my reports when making payments for delinquent and ad valorem taxes. [Name redacted] is doing the weekly reports and payments to the state, as well. If [name redacted] is busy, or not present, I have [names redacted] double check my reports to the checks and payments. I am hoping to train these two on the dailies and other reporting as I can, to have further checks on things. I am going to share my quarterly reports with these deputies to make sure all is correct. I am again behind on these in 2025, for the same reasons. This year I added [names redacted] as authorized users of the account. This has enabled me to let them sign checks. Hopefully utilizing my employees in these tasks will keep me from making misstates that I had in the past. When possible, I have also had two signatures on checks to show this share of the responsibilities and double checks. Though I am late again this year on reports to DLG, I am hoping that sharing my responsibilities will help me to be timely in the submission of these reports and payments. I will also begin making all check signers verify the amounts, and I will require at least two signatures on the checks going forward. State payments should be initiated by the deputy double checking the report and payment.

2024-006 The Caldwell County Clerk Does Not Have A Written Agreement To Protect Deposits

The Caldwell County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). As of March 31, 2024, the county clerk had bank deposits of \$841,320 with FDIC insurance of \$250,000. According to the county clerk, the bank did not require a written agreement on a checking account. The county clerk's bank balance of \$591,320 was exposed to custodial credit risk because the county clerk failed to properly execute a security agreement to protect uninsured deposits.

KRS 46.010(2) requires, “each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements.” KRS 46.010(3) requires, “all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires.” The daily monitoring of bank account balances is essential to ensuring deposits are protected against custodial credit risk.

The *County Budget Preparation and State Local Finance Officer Policy Manual* (Manual) issued by the Department for Local Government 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.

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2024-006 The Caldwell County Clerk Does Not Have A Written Agreement To Protect Deposits (Continued)

We recommend the county clerk eliminate custodial credit risk by entering into a written agreement with the depository institution that meets all the criteria outlined in the Manual.

County Clerk's Response: I am in contact with [bank name redacted] now to remedy this problem for next year. I used [bank name redacted] for 2024. We are a small town and all of the administrators and employees are familiar with me. I spoke with a vice president at [bank name redacted] this year and she said they simply did not require any paperwork, or create a new agreement because they know me so well. Also, I had all of my accounts with them the previous year, so they did not provide me with this.