

**REPORT OF THE AUDIT OF THE
ELLIOTT COUNTY
CLERK**

**For The Year Ended
December 31, 2023**



**ALLISON BALL
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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

The Honorable Myron S. Lewis, Elliott County Judge/Executive
The Honorable Jennifer Carter, Elliott County Clerk
Members of the Elliott 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 Elliott County, Kentucky, for the year ended December 31, 2023, 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 Elliott County Clerk for the year ended December 31, 2023, 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 Elliott County Clerk, as of December 31, 2023, 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 Elliott 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 Myron S. Lewis, Elliott County Judge/Executive
The Honorable Jennifer Carter, Elliott County Clerk
Members of the Elliott 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 Elliott 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, which raise substantial doubt about the Elliott 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 Elliott 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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Elliott County Clerk's ability to continue as a going concern for a reasonable period of time.

The Honorable Myron S. Lewis, Elliott County Judge/Executive
 The Honorable Jennifer Carter, Elliott County Clerk
 Members of the Elliott County Fiscal Court

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

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 December 10, 2024, on our consideration of the Elliott 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 Elliott 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:

- 2023-001 The Elliott County Clerk Is Not Fulfilling Her Duties As An Elected County Official
- 2023-002 The Elliott County Clerk's Office Does Not Have Adequate Segregation Of Duties And Internal Controls Over Receipts And Disbursements
- 2023-003 The Elliott County Clerk's Fourth Quarter Report Was Not Submitted To The Department For Local Government And It Contained Material Errors
- 2023-004 The Elliott County Clerk Did Not Present An Annual Settlement To The Fiscal Court
- 2023-005 The Elliott County Clerk Did Not Remit Payment on Delinquent Tax Bills To Taxing Districts Timely And Owes \$41,178 To Taxing Districts
- 2023-006 The Elliott County Clerk Did Not Remit Affordable Housing Or Legal Process Payments To The State Timely
- 2023-007 The Elliott County Clerk Did Not Comply With The County's Fee Pooling Ordinance
- 2023-008 The Elliott County Clerk Did Not Have Adequate Controls Over Non-Sufficient Funds (NSF) Checks Or Storage Fees
- 2023-009 The Elliott County Clerk Has Not Settled The 2020, 2021, Or 2022 Fee Accounts

Respectfully submitted,



Allison Ball
 Auditor of Public Accounts
 Frankfort, KY

December 10, 2024

ELLIOTT COUNTY
JENNIFER CARTER, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2023

Receipts

State Revenue Supplement		\$ 69,995
State Fees For Services		2,307
Fiscal Court		100,726
Licenses and Taxes:		
Motor Vehicle-		
Licenses and Transfers	\$ 184,538	
Usage Tax	330,372	
Tangible Personal Property Tax	623,335	
Other-		
Marriage Licenses	1,840	
Spouse Abuse	460	
Lien Fees	3,206	
Deed Transfer Tax	13,913	
Delinquent Taxes	120,018	1,277,682
Fees Collected for Services:		
Recordings-		
Deeds, Easements and Contracts	11,237	
Real Estate Mortgages	11,228	
Chattel Mortgages and Financing Statements	14,282	
Powers of Attorney	1,089	
Affordable Housing Trust	4,608	
All Other Recordings	9,035	
Charges for Other Services-		
Copy Work	924	
Postage	620	
Candidate Filing Fees	436	
Storage Fees	8,210	61,669
Total Receipts		\$ 1,512,379

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

ELLIOTT COUNTY
 JENNIFER CARTER, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2023
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 131,097

Usage Tax 320,479

Tangible Personal Property Tax 228,590

Licenses, Taxes, and Fees-

Delinquent Tax 10,010

Legal Process Tax 2,094

Affordable Housing Trust 4,608 \$ 696,878

Payments to Fiscal Court:

Tangible Personal Property Tax 74,470

Delinquent Tax 9,586

Deed Transfer Tax 13,217

Storage Fees 8,210 105,483

Payments to Other Districts:

Tangible Personal Property Tax 293,932

Delinquent Tax 63,945 357,877

Payments to Sheriff

9,726

Payments to County Attorney

15,486

Other Regulatory Payments:

Other Refunds 578

Operating Disbursements:

Postage 205

Miscellaneous 1,941 2,146

Total Disbursements

\$ 1,188,174

ELLIOTT COUNTY
JENNIFER CARTER, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2023
(Continued)

Net Receipts	\$ 324,205
Less: Statutory Maximum	<u>97,126</u>
Excess Fees	227,079
Less: Expense Allowance	<u>3,600</u>
Excess Fees Due County for 2023	223,479
Payments to Fiscal Court - Monthly	<u>206,983</u>
Balance Due Fiscal Court at Completion of Audit	<u>\$ 16,496</u>

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

ELLIOTT COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2023

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 due from the county clerk as determined by the audit. KRS 64.152 requires the county clerk to pay to the governing body of the county any fees, commissions, and other income of his or her office, including income from investments, which exceed the sum of his or her maximum salary as permitted by the Constitution and other reasonable expenses, including compensation of deputies and assistants by March 15 of each year. KRS 64.830 requires an outgoing clerk to make a final settlement with the fiscal court by March 15 immediately following the expiration of his or her term of office.

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

- Interest receivable
- Collection on accounts due from others for 2023 services
- Reimbursements for 2023 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2023

The measurement focus of a fee official's financial statement is upon current financial resources. Per KRS 64.152(2), remittance of excess fees is due to the fiscal court when the county clerk makes their final settlement.

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).

ELLIOTT COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2023
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Fee Pooling

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

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 Kentucky Public Pensions Authority (KPPA). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent of their salary to be allocated as follows: five percent will go to the member's account and one percent will go to the CERS 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 CERS 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 26.79 percent for the first six months and 23.34 percent for the last six months.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

ELLIOTT COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2023
(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)

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%

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, they 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 78.5536.

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

Once members reach a minimum vesting period of 15 years, they 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 78.5536. 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 Kentucky Retirement Systems 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.

ELLIOTT COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2023
(Continued)

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

Other Post-Employment Benefits (OPEB) (Continued)

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.

Kentucky Retirement Systems Annual Financial Report and Proportionate Share Audit Report

Kentucky Retirement Systems 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.

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the county clerk's deposits may not be returned. The Elliott County Clerk does not have a deposit policy for custodial credit risk, but rather follows the requirements of the DLG's *County Budget Preparation and State Local Finance Officer Policy Manual*. As of December 31, 2023, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

ELLIOTT COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2023
(Continued)

Note 4. Lease and Subscription-Based Information Technology Arrangements (SBITA) Agreements

- A. The county clerk's office committed to a hardware lease agreement for computer equipment on March 22, 2021, through and including March 21, 2026. The agreement renews automatically for additional one-year terms thereafter at the rate in effect on renewal date unless written notice is received from either party 90 days prior to renewal date. The fiscal court makes the annual payment of \$11,736.
- B. The county clerk's office committed to a software lease (SBITA) agreement for computer software license and service on March 22, 2021, through and including March 21, 2026. The agreement renews automatically for additional one-year terms thereafter at the rate in effect on such automatic renewal date unless written notice is received from either party 90 days prior to renewal date. The fiscal court makes the monthly payment of \$800.

Note 5. On Behalf Payments

The Elliott County Clerk's Office is required by the fiscal court to participate in a fee pooling system. Since the county clerk is fee pooling, the fiscal court pays the county clerk's statutory maximum and expense allowance as reflected on the county clerk's financial statement. For the year ended December 31, 2023, the fiscal court's contributions recognized by the county clerk included the amounts that were based on the statutory maximum as required by KRS 64.5275. The Elliott County Clerk recognized receipts from the fiscal court and disbursements for the statutory maximum of \$97,126 and expense allowance of \$3,600 for the year ended December 31, 2023.

Note 6. Escrow Account

During 2016, the former county clerk received delinquent tax payments which were never processed. As a result, the Elliott County Clerk deposited \$2,250 into an interest-bearing bank account for the unidentified delinquent tax payments. On January 1, 2023, this account had a balance of \$2,024. During calendar year 2023, this account earned \$5 of interest, leaving a balance of \$2,029 as of December 31, 2023. These funds are eligible to be turned over to the Kentucky State Treasurer as unclaimed property.

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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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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 Myron S. Lewis, Elliott County Judge/Executive
The Honorable Jennifer Carter, Elliott County Clerk
Members of the Elliott 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 Elliott County Clerk for the year ended December 31, 2023, and the related notes to the financial statement and have issued our report thereon dated December 10, 2024. The Elliott 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 Elliott 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 Elliott County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Elliott 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 2023-001, 2023-002, 2023-003, 2023-004, 2023-005, 2023-006, 2023-007, 2023-008, and 2023-009 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 Elliott 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 2023-001, 2023-003, 2023-004, 2023-005, 2023-006, 2023-007, 2023-008, and 2023-009.

Views of Responsible Official and Planned Corrective Action

Government Auditing Standards requires the auditor to perform limited procedures on the Elliott County Clerk's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The Elliott 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

December 10, 2024

SCHEDULE OF FINDINGS AND RESPONSES

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ELLIOTT COUNTY
JENNIFER CARTER, COUNTY CLERK
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2023

FINANCIAL STATEMENT FINDINGS:

2023-001 The Elliott County Clerk Is Not Fulfilling Her Duties As An Elected County Official

This is a repeat finding and was included in the prior year audit report as finding 2022-001. The county clerk is not fulfilling her duties as an elected county official. We have noted the following deficiencies, which are detailed in the subsequent findings:

- The Elliott County Clerk's Office does not have adequate segregation of duties and internal controls over receipts and disbursements.
- The Elliott County Clerk's fourth quarter report was not submitted to the Department for Local Government and contained material errors.
- The Elliott County Clerk did not present an annual settlement to the fiscal court.
- The Elliott County Clerk did not remit payments on delinquent tax bills to taxing districts timely and owes \$41,178 to taxing districts.
- The Elliott County Clerk did not remit affordable housing or legal process payments to the state timely.
- The Elliott County Clerk did not comply with the county's fee pooling ordinance.
- The Elliott County Clerk does not have adequate controls over non-sufficient funds (NSF) checks or storage fees.
- The Elliott County Clerk Has not settled the 2020, 2021, or 2022 fee accounts.

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. Most importantly, taxing districts (state, county, school, library, health department, extension district, conservation, etc.) are owed substantial amounts of taxes and have been deprived of these resources for a significant time.

KRS 68.210 gives the State Local Finance Officer authority to prescribe a uniform system of accounts, which sets certain minimum accounting requirements for local officials. 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. This matter will be referred to the Department of Revenue, Office of the Attorney General, and the Department for Local Government.

County Clerk's Response: My office performs many duties throughout the year, along with daily duties we perform for the public, our community, while we have fallen short on some reporting, etc. we continue to place our customers on the highest priority while improving on reporting and timely payments, as this audit reflects improvement from past audits.

ELLIOTT COUNTY
 JENNIFER CARTER, COUNTY CLERK
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2023
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-002 The Elliott County Clerk's Office Does Not Have Adequate Segregation Of Duties And Internal Controls Over Receipts And Disbursements

This is a repeat finding and was included in the prior year audit report as finding 2022-002. The county clerk prepares daily deposits, prepares checks, signs checks, and collects cash from customers. The bookkeeper posts to the receipts and disbursements ledgers, reconciles bank accounts, and prepares the quarterly report. According to the county clerk, this condition is a result of a limited budget, which restricts the number of employees the county clerk can hire or delegate duties to.

Inadequate segregation of duties allows for one person to have a significant role in processing and recording receipts and disbursements, which increases the risk of undetected misappropriations of assets and inaccurate financial reporting.

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." Segregation of duties are a basic internal control necessary to ensure the accuracy and reliability of financial reports.

We recommend the county clerk's office adequately segregate duties and implement internal controls to ensure transactions are recorded timely. Employees receiving payments and preparing deposits should not be posting to the receipts ledger and preparing bank reconciliations. Proper segregation of duties may not be possible with a limited number of employees. In that case, the county clerk or bookkeeper could take on the responsibility of reviewing the daily deposits, receipts and disbursements ledgers, monthly reports, and bank reconciliations prepared by another employee. These reviews must be documented in a way that indicates what was reviewed, by whom, and when. Signing off on inaccurate information does not provide internal control. Further, the county clerk could require dual signatures on all checks, with one signature being the county clerk.

County Clerk's Response: While this most likely will be a comment on the present year audit (2024) we are implementing changes to deputy responsibilities which should help alleviate this issue.

2023-003 The Elliott County Clerk's Fourth Quarter Report Was Not Submitted To The Department For Local Government And It Contained Material Errors

This is a repeat finding and was included in the prior year audit report as finding 2022-003. The county clerk did not submit quarterly reports to the Department for Local Government (DLG). The county clerk prepared a fourth quarter report at the beginning of the audit, but it has not been submitted to DLG. No other quarterly reports were prepared or submitted to DLG for calendar year 2023. Also, though most were posting errors, numerous adjustments were necessary to correct material errors. Specifically, several errors were made when classifying items on the disbursements ledgers and when carrying items over from the ledgers to the fourth quarter report. Adjustments were made in the amount of \$269,460 to the county clerk's disbursements ledger.

The county clerk neglected to ensure quarterly reports were prepared and submitted to DLG. Also, the county clerk did not have procedures in place, such as weekly reconciliations and monthly reports to the ledgers, to ensure that posting was accurate on the county clerk's receipts and disbursements ledgers as well as the fourth quarter financial report.

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 For The Year Ended December 31, 2023
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-003 The Elliott County Clerk's Fourth Quarter Report Was Not Submitted To The Department For Local Government And It Contained Material Errors (Continued)

Failure to submit required reports prevents proper oversight from DLG and increases the risk that errors, misstatements, or fraud can occur and go undetected for a significant period. In addition, not reconciling amounts posted to ledgers and weekly and monthly reports creates an opportunity for amounts to be posted to incorrect categories on the ledgers. As a result, the audit took longer than normal to determine and make all necessary adjustments.

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. The uniform system of accounts has specific requirements on how to record various types of transactions for different funds and fund types. The most basic requirement of the uniform system of accounts is that all transactions are recorded and classified correctly.

We recommend the county clerk submit future quarterly reports to DLG timely. Also, we recommend the county clerk reconcile her ledgers to weekly and monthly reports to ensure amounts are posted to the correct category to help prevent material errors from occurring.

County Clerk's Response: Some calculations were entered into an incorrect category causing the material errors. We hope to improve our report submission to DLG, and currently reviewing different actions to help us succeed in this area.

2023-004 The Elliott County Clerk Did Not Present An Annual Settlement To The Fiscal Court

This is a repeat finding and was included in the prior year audit report as finding 2022-004. The county clerk did not prepare or present an annual settlement of excess fees to the fiscal court. The county clerk does not have controls in place to ensure that an annual settlement is prepared and presented to the fiscal court. The lack of compliance with applicable state laws and DLG reporting requirements has caused the county clerk's office to inadequately inform the fiscal court of the clerk's financial activities. As a result, the fiscal court's ability to appropriately monitor financial activity and make fully informed financial decisions for the county has been limited.

KRS 64.152(1) states, in part, "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[.]"

We recommend the county clerk implement controls to ensure compliance with KRS 64.152 by presenting an annual settlement to the fiscal court by March 15.

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

2023-005 The Elliott County Clerk Did Not Remit Payments on Delinquent Tax Bills To Taxing Districts Timely And Owes \$41,178 To Taxing Districts

This is a repeat finding and was included in the prior year audit report as finding 2022-006. The county clerk did not remit payments on delinquent tax bills to districts timely. For 2023, payments made in four months were remitted to the taxing districts late, and payments made to the clerk in two months were not remitted to the taxing districts at all.

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 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-005 The Elliott County Clerk Did Not Remit Payments on Delinquent Tax Bills To Taxing Districts Timely And Owes \$41,178 To Taxing Districts (Continued)

One payment in July 2023, and all payments made in August 2023 and December 2023 were unremitted to the taxing districts. The unremitted payments to taxing districts total \$41,178 and is itemized as follows:

Taxing District	Amount Due	Months Unpaid
County Attorney	\$ 6,036	August and December
Sheriff	3,771	August and December
State	3,652	August and December
County	3,697	August and December
School	13,763	August and December
Health	2,513	August and December
Extension	2,531	August and December
Ambulance	3,296	July, August and December
Soil Conservation	1,862	August and December
Fire Acres	55	August
Total Unpaid Delinquent Taxes	<u>\$ 41,178</u>	

The county clerk does not have controls in place to make sure payments on delinquent tax bills are forwarded to taxing districts timely. By not remitting payments timely to taxing districts, cash flow problems can occur for these taxing districts as they rely on tax collections to fund a significant portion of their budgeted services.

KRS 134.126(3) requires the county clerk to, “report by the tenth day of each month to the department, the county treasurer, the sheriff, and the proper officials of the taxing districts.”

We recommend the county clerk implement controls to ensure monthly payments on delinquent tax bills are remitted to the appropriate taxing districts by the tenth of each month in accordance with KRS 134.126(4).

County Clerk's Response: These taxes have now been paid and cleared.

2023-006 The Elliott County Clerk Did Not Remit Affordable Housing Or Legal Process Payments To The State Timely

This is a repeat finding and was included in the prior year audit report as finding 2022-008. The county clerk did not remit the following payments timely (by the 10th of the month following the end of the period):

- Quarterly affordable housing payments were late by a period of between 87 to 308 days.
- Monthly legal process taxes were late by a period of between 27 to 365 days.

The county clerk does not have procedures in place to ensure that affordable housing or legal process taxes collected are paid over to the appropriate entity timely. As a result, the clerk is not in compliance with multiple Kentucky revised statutes. In addition, the state is deprived of these funds for a significant amount of time.

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(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-006 The Elliott County Clerk Did Not Remit Affordable Housing Or Legal Process Payments To The State Timely (Continued)

KRS 64.012(2)(b) states that the affordable housing fee “shall be remitted by the county clerk within ten (10) days following the end of the quarter in which the fee was received.”

KRS 142.010(3) states, “[t]axes imposed under this section shall be reported and paid to the Department of Revenue by each county clerk within ten (10) days following the end of the calendar month in which instruments subject to tax are filed or marriage licenses issued. Each remittance shall be accompanied by a summary report on a form prescribed by the department.”

We recommend the county clerk implement internal controls to ensure that affordable housing fees and legal process taxes are paid timely.

County Clerk’s Response: These reports and payments have been submitted but not yet cleared.

2023-007 The County Clerk Did Not Comply With The County’s Fee Pooling Ordinance

This is a repeat finding and was included in the prior year audit report as finding 2022-009. As depicted in the following chart, the county clerk did not remit monthly excess fees timely to the fiscal court per the fee-pooling ordinance:

Excess Fee Month	Date Check Written	Days Late
January	2/2/23	0
February	3/10/23	0
March	4/13/23	3
April	6/30/23	51
May	6/30/23	20
June	9/22/23	74
July	11/20/23	102
August	11/20/23	71
September	11/20/23	41
October	11/20/23	10
November	12/7/23	0
December	2/29/24	50

In addition, the county clerk remitted payment for 11 invoices for postage totaling \$205 instead of submitting the invoices to fiscal court for payment. The county clerk noted the payments were late because the office was doing its due diligence to ensure it was remitting the correct amount of excess fees.

The county clerk does not have adequate controls to ensure that excess fees are paid timely in accordance with the county fee pooling ordinance. The county clerk stated that the reason postage payments were made from her fee account is that they only have a couple of days to issue election ballots and get them mailed, so there was no time to get fiscal court approval.

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(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-007 The County Clerk Did Not Comply With The County's Fee Pooling Ordinance (Continued)

By not submitting the monthly excess fees to the fiscal court by the tenth of each month as required by Elliott County Fiscal Court Ordinance FY-13-001, the county clerk is not in compliance with the ordinance. In addition, the fiscal court is deprived of these funds for a significant amount of time potentially impacting its budget. Also, the county clerk did not comply with the fee-pooling ordinance by remitting payments from her fee account.

On February 4, 2013, the Elliott County Fiscal Court passed Ordinance FY-13-001, which requires the sheriff's office and county clerk's office to participate in fee pooling. Under fee pooling, the sheriff's office and county clerk's office pay net income (excess fees) monthly to the fiscal court, and the fiscal court pays all salaries and expenses of those offices. Net income is due no later than the tenth of the month for the preceding month. The expenses of the sheriff's and county clerk's offices shall be paid by the county treasurer in accordance with the purchase order system adopted by the Elliott County Fiscal Court.

We recommend the county clerk comply with the county's fee pooling ordinance by paying excess fees based on calculations from the county clerk's financial records no later than the tenth of the month for the preceding month and implement controls to ensure that excess fees are paid timely. Also, we recommend the county clerk submit any invoices to be paid on behalf of her office to the county treasurer for payment. Per the fee-pooling resolution in place, the only items allowed to be paid from the fee account are refunds to taxpayers, payments to taxing districts, and monthly fees to fiscal court.

County Clerk's Response: We continue to improve on timely payments to the fiscal court.

2023-008 The Elliott County Clerk Did Not Have Adequate Controls Over Non-Sufficient Funds (NSF) Checks Or Storage Fees

This is a repeat finding and was included in the prior year audit report as finding 2022-010. The Elliott County Clerk did not have adequate controls in place for NSF checks or storage fees. The bank returned two checks from customers for NSF. The county clerk did not receive repayment and failed to properly handle follow-up protocols on those two NSF checks made payable in amounts totaling \$81. These two checks were not turned over to the county attorney, nor were the services cancelled in Kentucky Automated Vehicle Information System (KAVIS). The county clerk did not maintain proper documentation for these checks, so auditors were unable to verify whether any of the checks were for the county clerk or one of her employees. Further, the county clerk collected \$8,210 in storage fees but did not account for these on her quarterly report or turn them over to the fiscal court monthly within ten days following the end of the month.

The county clerk did not have procedures in place to ensure NSF checks are handled properly. The county clerk did not know the requirements or best practices for storage fees. According to the clerk, because her office is fee-pooling, she did not think it was necessary to write a separate check for storage fees to the fiscal court. As a result, the county clerk remitted payments to districts as if these checks had been collected in essence shorting excess fees to the county. Further, customers received a service without paying for it. Also, the fiscal court was unable to create a Storage Fees Fund as is required by KRS 64.012.

Good internal controls dictate that when a check is returned as non-sufficient funds, the county clerk should give the notice to the county attorney if the check remains uncollected. If the checks are turned over to the county attorney, the service needs to be cancelled in KAVIS, delinquent tax, etc.

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 For The Year Ended December 31, 2023
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-008 The Elliott County Clerk Did Not Have Adequate Controls Over Non-Sufficient Funds (NSF) Checks Or Storage Fees (Continued)

KRS 64.012(3)(a) states that “[f]or services related to the permanent storage of records...the clerk shall be entitled to receive a reimbursement of ten dollars (\$10).” Further, KRS 64.012(3)(b)(1)(c) states that this fee shall “[b]e accumulated and transferred to the fiscal court or the legislative body of an urban-county government on a monthly basis within ten (10) days following the end of the month[.]”

We recommend the county clerk ensure that NSF checks are collected, and if not, either turn the check over to the county attorney or cancel the KAVIS service, delinquent tax, etc. We further recommend that the county clerk ensure she is maintaining all relevant documentation for NSF checks. We also recommend the county clerk properly account for her storage fees on her quarterly report and turn those fees over to the fiscal court by the tenth of each month.

County Clerk's Response: Moving forward, a party who has a check returned NSF has 30 days to recover the check and pay the fees associated with the NSF, after the 30 days have lapsed with no recovery the NSF check will be transferred to the county attorney for collection. To start with the 2025 calendar year.

2023-009 The Elliott County Clerk Has Not Settled The 2020, 2021, Or 2022 Fee Accounts

This is a repeat finding and was included in the prior year audit report as finding 2022-012. The county clerk has not settled her 2020, 2021, or 2022 fee accounts. The following tables show the remaining receivables due and liabilities owed for each account.

SETTLE 2020 ACCOUNT			
BANK BALANCE		\$12,713	
LESS: LIABILITIES			
State - Delinquent	\$11,287		
State - Legal Process	1,390		
Remaining Excess Fees	36	12,713	
BALANCE		\$	0

SETTLE 2021 ACCOUNT			
BANK BALANCE		\$ 36,360	
ADD: RECEIVABLES			
County (Overpaid Deed Transfer)	\$ 4,341		
State (Overpaid Ad Valorem)	1,020	5,361	
LESS: LIABILITIES			
Extension District - Ad Valorem	834		
School District - Ad Valorem	11,779		
State - Delinquent	8,306		
School District - Delinquent	6,088		
Extension District - Delinquent	5,144		
Soil Conservation District - Delinquent	4,035		
Remaining Excess Fees	5,535	41,721	
BALANCE		\$	0

ELLIOTT COUNTY
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 SCHEDULE OF FINDINGS AND RESPONSES
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 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-009 The Elliott County Clerk Has Not Settled The 2020, 2021, Or 2022 Fee Accounts (Continued)

SETTLE 2022 ACCOUNT		
BANK BALANCE	\$	82,968
ADD: RECEIVABLES		
Ad Valorem Overpaid to State		595
LESS: UNCLEARED CHECKS		
Ambulance - Delinquent	\$ 221	
Ambulance - Delinquent	<u>1,899</u>	2,120
LESS: LIABILITIES		
County - Delinquent	2,720	
County - Ad Valorem	6,058	
County - Ad Valorem	4,190	
State - Delinquent	2,678	
Board of Education - Delinquent	7,930	
Board of Education - Ad Valorem	17,464	
Board of Education - Ad Valorem	12,079	
Board of Education - Ad Valorem	81	
Ambulance District - Delinquent	2,029	
Ambulance District - Ad Valorem	2,755	
Ambulance District - Ad Valorem	1,904	
County Attorney - Delinquent	4,352	
Extension District - Delinquent	1,671	
Extension District - Ad Valorem	1,236	
Extension District - Ad Valorem	855	
Fire Acres - Delinquent	42	
Health District - Delinquent	1,675	
Health District - Ad Valorem	2,473	
Health District - Ad Valorem	1,710	
Sheriff - Delinquent	2,458	
Soil Conservation District - Delinquent	1,306	
Remaining Excess Fees	<u>3,777</u>	81,443
BALANCE	\$	<u>0</u>

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(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-009 The Elliott County Clerk Has Not Settled The 2020, 2021, Or 2022 Fee Accounts (Continued)

The county clerk does not have controls in place to ensure that accounts have been settled in a timely manner. The failure to pay liabilities timely causes taxing districts and other governmental agencies to be deprived of funds for significant time periods.

KRS 64.152 states in part, “(1) In 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. (2) At 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.”

We recommend the county clerk settle the 2020, 2021, and 2022 fee accounts and to strengthen internal controls to ensure fee accounts are settled correctly and timely.

County Clerk's Response: Currently reviewing balances and processing to the appropriate departments for closing.