REPORT OF THE AUDIT OF THE ELLIOTT COUNTY CLERK

For The Year Ended December 31, 2024

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, 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 Elliott 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 Elliott 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 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.

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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, that 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 March 20, 2026, 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:

2024-001 The Elliott County Clerk Is Not Fulfilling Her Duties As An Elected Official
2024-002 The Elliott County Clerk's Office Does Not Have Adequate Segregation Of Duties And Internal Controls Over Receipts And Disbursements
2024-003 The Elliott County Clerk's Fourth Quarter Report Contained Material Errors And Was Not Submitted To The Department For Local Government
2024-004 The Elliott County Clerk Did Not Present An Annual Settlement To The Fiscal Court
2024-005 The Elliott County Clerk Did Not Remit Payment On Delinquent Tax Bills To Taxing Districts Timely And Owes $15,428 To Taxing Districts
2024-006 The Elliott County Clerk Did Not Remit Affordable Housing Or Legal Process Payments To The State Timely
2024-007 The Elliott County Clerk Did Not Comply With The County's Fee Pooling Ordinance
2024-008 The Elliott County Clerk Did Not Have Adequate Controls Over Non-Sufficient Funds (NSF) Checks Or Storage Fees
2024-009 The Elliott County Clerk Has Not Settled The 2021 Or 2022 Fee Accounts
2024-010 The Elliott County Clerk Did Not Have A Written Agreement To Protect Deposits

Respectfully submitted,

Allison Ball

Allison Ball
Auditor of Public Accounts
Frankfort, KY

March 20, 2026

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

For The Year Ended December 31, 2024

Receipts		
State Revenue Supplement		$ 71,059
State Fees For Services		2,471
Licenses and Taxes:		
Motor Vehicle-		
Licenses and Transfers	$ 192,869	
Usage Tax	337,685	
Tangible Personal Property Tax	650,385	
Other-		
Marriage Licenses	1,850	
Lien Fees	4,194	
Deed Transfer Tax	12,890	
Delinquent Tax	130,812	1,330,685
Fees Collected for Services:		
Recordings-		
Deeds, Easements, and Contracts	9,423	
Real Estate Mortgages	9,757	
Chattel Mortgages and Financing Statements	14,992	
Powers of Attorney	444	
Affordable Housing Trust	4,248	
All Other Recordings	9,286	
Charges for Other Services-		
Copy Work	224	
Postage	510	
Storage Fees	7,800	56,684
Other:		
Miscellaneous		2,076
Total Receipts		1,462,975

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

Disbursements			
Payments to State:			
Motor Vehicle-			
Licenses and Transfers	$ 135,961		
Usage Tax	327,232		
Tangible Personal Property Tax	243,686		
Licenses, Taxes, and Fees-			
Marriage Licenses	536		
Delinquent Tax	11,164		
Legal Process Tax	1,767		
Affordable Housing Trust	4,248	$ 724,594	
Payments to Fiscal Court:			
Tangible Personal Property Tax	76,992		
Delinquent Tax	11,072		
Deed Transfer Tax	12,245		
Storage Fees	7,800	108,109	
Payments to Other Districts:			
Tangible Personal Property Tax	304,052		
Delinquent Tax	72,192	376,244	
Payments to Sheriff		9,496	
Payments to County Attorney		15,431	
Operating Disbursements and Capital Outlay:			
Other Charges-			
Bank Charges	842		
Miscellaneous	758		
Postage	451	2,051	
Total Disbursements			$ 1,235,925
Excess Fees Due County for 2024			227,050
Payments to Fiscal Court - Monthly			239,443
Balance Due from Fiscal Court at Completion of Audit*			$ (12,393)

* - The county clerk overpaid excess fees to the fiscal court.

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

ELLIOTT 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. 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 accounts. The county clerk must pay all amounts collected for others, similar statutory payments, and any other costs allowed by the fiscal court order. Residual funds are then paid to the county treasurer on a monthly basis. The county clerk submits invoices to the county treasurer for payment of the clerk's operating expenses by the fiscal court.

C. 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.)

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. 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.

E. 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.

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.

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

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.

Note 3. Deposits

The Elliott 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 Elliott County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of the Manual. On December 31, 2024, the county clerk's bank balance of $100,627 was exposed to custodial credit risk because the county clerk failed to properly execute a security agreement to protect deposits.

Note 4. Grant

The Elliott County Clerk's Office received an e-recording grant from the Kentucky Department for Local Government in the amount of $367,693. No funds were expended during the year. The unexpended grant balance was $367,693 as of December 31, 2024.

Note 5. Commitments: - Lease Agreements and Subscription-Based Information Technology Arrangements (SBITA)

Description	Effective Date	Length of Term	Frequency of Payments	Ending Date	Amount of Payments	Balance December 31, 2024
Lease:						
Hardware	3/22/21	5	Yearly	3/22/26	$ 11,736	$ 11,736
SBITA:						
Software	3/22/21	60	Monthly	3/22/26	$ 750	$ 11,250

Note 6. On Behalf Payments-County Clerk Salary

The Elliott County Clerk's Office is required by the Elliott 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 required by KRS 64.575. The Elliott County Clerk was paid the statutory maximum of $100,381, and expense allowance of $3,600 for the year ended December 31, 2024.

Note 7. Escrow Account

The Elliott County Clerk deposited funds into an interest-bearing bank account for the unidentified delinquent tax payments. On January 1, 2024, this account had a balance of $2,029. During calendar year 2024, this account earned $4 of interest. In December 2024, $2,033 was turned over to the Kentucky State Treasurer as unclaimed property, leaving a balance of $0 as of December 31, 2024.

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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, 2024, and the related notes to the financial statement and have issued our report thereon dated March 20, 2026. 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 2024-001, 2024-002, 2024-003, 2024-004, 2024-005, 2024-006, 2024-007, 2024-008, 2024-009, and 2024-010 to be material weaknesses.

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 2024-001, 2024-003, 2024-004, 2024-005, 2024-006, 2024-007, 2024-008, 2024-009, and 2024-010.

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

March 20, 2026

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, 2024

2024-001 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 2023-001. The county clerk is not fulfilling her duties as an elected county official or meeting requirements of her position established under law. We have noted the following findings, which are detailed in the subsequent findings:

- The Elliott County Clerk's Office does not have adequate segregation of duties and internal controls over fee receipts and disbursements.
- The Elliott County Clerk's fourth quarter report contained material errors and was not submitted to the Department for Local Government..
- The Elliott County Clerk did not present an annual settlement to the fiscal court.
- The Elliott County Clerk did not pay delinquent taxes to districts timely and owes $15,428 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 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 that outline the duties and responsibilities of the county clerk. Please refer to each individual finding for specific information related to that topic.

We recommend the county clerk take immediate action to remedy the issues outlined in these comments 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: The official did not provide a response.

2024-002 The Elliott County Clerk's Office Does Not Have Adequate Segregation Of Duties And Internal Controls Over Fee Receipts And Disbursements

This is a repeat finding and was included in the prior year audit report as finding 2023-002. 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. In addition, this deficiency is due to the clerk's decision to have control over these functions of the clerk's office.

Inadequate segregation of duties allows for one person to have a significant role in processing and recording receipts and disbursements, which would increase 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 is 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, and, 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, because 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: The official did not provide a response.

2024-003 The Elliott County Clerk's Fourth Quarter Report Contained Material Errors And Was Not Submitted To The Department For Local Government

This is a repeat finding and was included in the prior year audit report as finding 2023-003. 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 2024. The fourth quarter provided to auditors had misstated receipts of $33,547 and misstated disbursements of $204,323.

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

2024-003 The Elliott County Clerk's Fourth Quarter Report Contained Material Errors And Was Not Submitted To The Department For Local Government (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 of time. In addition, not reconciling amounts posted to ledgers to 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 her quarterly reports to DLG timely in the future. 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: The official did not provide a response.

2024-004 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 2023-004. 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 led to the fiscal court not being adequately informed of the financial activities of the county clerk's office, resulting in the limited ability to appropriately monitor the financial activity and make fully informed financial decisions for the county.

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 official did not provide a response.

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

2024-005 The Elliott County Clerk Did Not Pay Delinquent Taxes To Districts Timely And Owes $15,428 To Taxing Districts

This is similar to a repeat finding and was included in the prior year audit report as finding 2023-005. The county clerk did not pay delinquent tax payments to districts timely. For 2024, delinquent tax payments are unpaid for one payment in August, and all payments for December in the amount of $15,428 as follows:

Taxing District	Amount Due	Months Unpaid
County Attorney	$ 2,203	December
Sheriff	2,194	August underpaid and December
State	1,288	December
County	1,358	December
School	4,902	December
Health	896	December
Extension	900	December
Ambulance	988	December
Soil Conservation	662	December
Fire Acres	37	December
Total Unpaid Delinquent Taxes	$ 15,428	

The county clerk does not have controls in place in order to make sure delinquent tax payments are made 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 delinquent tax payments are paid by the tenth of each month in accordance with KRS 134.126(3).

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

2024-006 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 2023-006. 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 between 69 to 252 late.
- Monthly legal process taxes were between 8 to 312 days late.

2024-006 The Elliott County Clerk Did Not Remit Affordable Housing Or Legal Process Payments To The State Timely (Continued)

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

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: The official did not provide a response.

2024-007 The Elliott 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 2023-007. As depicted in the following chart, the county clerk did not remit her monthly excess fees timely to fiscal court per the fee-pooling ordinance:

Excess Fee Month	Date Check Written	Days Late
January	2/29/24	19
February	3/1/24	0
March	4/12/24	2
April	6/18/24	39
May	7/15/24	35
June	7/15/24	5
July	8/6/24	0
August	9/12/24	2
September	1/29/25	111
October	1/29/25	80
November	1/30/25	50
December	2/6/25	27

In addition, the county clerk remitted payment for 20 invoices for postage totaling $451 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.

ELLIOTT COUNTY
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(Continued)

2024-007 The Elliott County Clerk Did Not Comply With The County's Fee Pooling Ordinance (Continued)

The county clerk stated that the reason postage payments were made from her fee account is that the office only has a couple days to issue election ballots and get them mailed, so there was no time to get fiscal court approval.

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, which potentially impacts 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, 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 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 each month based on calculations from the county clerk's financial records no later than the tenth of the subsequent 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: The official did not provide a response.

2024-008 The Elliott County Clerk Does 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 2023-008. The Elliott County Clerk did not have adequate controls in place for non-sufficient funds (NSF) checks or storage fees. The bank returned seven checks from customers as NSF. Of those seven NSF checks, the county clerk did not receive repayment and failed to properly handle follow-up protocols on two of the checks totaling $227. These two checks were not turned over to the county attorney, nor were the services cancelled in the Kentucky Automated Vehicle Information System (KAVIS).

Further, the county clerk collected $7,800 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. Instead, she included them in her monthly excess fee payments.

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 county 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, which basically shorted 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 of them by KRS 64.012.

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

2024-008 The Elliott County Clerk Does Not Have Adequate Controls Over Non-Sufficient Funds (NSF) Checks Or Storage Fees (Continued)

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, or other systems.

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 service in KAVIS service, delinquent tax, other systems. We further recommend that the county clerk ensures 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: The official did not provide a response.

2024-009 The Elliott County Clerk Has Not Settled The 2021 Or 2022 Fee Accounts

This is a repeat finding and was included in the prior year audit report as finding 2023-009. The county clerk has not settled her 2021 or 2022 fee accounts. The following tables show the remaining liabilities owed for each account.

SETTLE 2021 ACCOUNT		
Bank Balance		$ 0
ADD: Receivables		
County (Overpaid Excess Fees)		36,186
LESS: Liabilities		
Extension - Ad Valorem	$ 834	
School - Ad Valorem	11,779	
State - Delinquent	8,306	
School - Delinquent	6,088	
Extension - Delinquent	5,144	
Soil - Delinquent	4,035	$ 36,186
Balance		$ 0

SETTLE 2022 ACCOUNT		
Bank Balance		$ 77,879
LESS: Liabilities		
County - Delinquent	$ 2,720	
County - Ad Valorem	10,249	
County - Ad Valorem	212	
State - Delinquent	2,678	
Board of Education - Delinquent	7,930	
Board of Education - Ad Valorem	29,624	
Ambulance - Delinquent	2,028	
Ambulance - Ad Valorem	4,659	
County Attorney - Delinquent	4,352	
Extension - Delinquent	1,671	
Extension - Ad Valorem	2,092	
Fire Acres - Delinquent	42	
Health - Delinquent	1,675	
Health - Ad Valorem	4,183	
Sheriff - Delinquent	2,458	
Soil Conservation - Delinquent	1,306	$ 77,879
Balance		$ 0

2024-009 The Elliott County Clerk Has Not Settled The 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 2021 and 2022 fee accounts and strengthen internal controls to ensure fee accounts are settled correctly and timely.

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

2024-010 The Elliott County Clerk Did Not Have A Written Agreement To Protect Deposits

As of December 31, 2024, the county clerk had bank deposits of $350,627, and FDIC insurance of $250,000. There was no written agreement between the county clerk and the depository institution, signed by both parties, securing the county clerk's interest in the collateral institution pledged not covered by FDIC insurance.

According to the county clerk, she was unaware a collateral security agreement was not in place. The county clerk's deposits of public funds in the depository institution were uninsured and unsecured in the amount of $100,627.

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* strongly recommends local government officials handling public funds obtain a perfected pledge of securities covering all public funds except direct federal obligations and funds protected by federal insurance. KRS 66.480(1)(d) and KRS 41.240(4), requires the depository institution to pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (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.

We recommend the county clerk enter into a written agreement with the depository institution to secure the county clerk's interest in the collateral pledged or provided by the depository institution.

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