

**REPORT OF THE AUDIT OF THE
WAYNE COUNTY CLERK**

**For The Year Ended
December 31, 2008**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE WAYNE COUNTY CLERK

For The Year Ended
December 31, 2008

The Auditor of Public Accounts has completed the Wayne County Clerk's audit for the year ended December 31, 2008. We have issued a qualified opinion on the financial statement taken as a whole. The County Clerk did not provide us with a signed representation letter as required by auditing standards generally accepted in the United States of America.

Financial Condition:

There is a deficit of \$139,986 for the year ended December 31, 2008. This deficit is attributed to \$31,730 in undeposited receipts, \$87,056 of 2008 receipts deposited into the 2007 account to cover a 2007 deficit, and disallowed expenditures of \$21,200. This matter is being referred to the Kentucky State Police for further investigation.

Report Comments:

- 2008-01** The County Clerk Has A Deficit Of \$139,986 In Her Official Fee Account
- 2008-02** The County Clerk Expended \$58,733 In 2008 On An Office Renovation Project Of Which \$16,950 Did Not Have Proper Documentation And Has Been Disallowed. The County Clerk Also Spent \$4,250 For Cleaning The Office That Did Not Have Proper Documentation And Has Been Disallowed
- 2008-03** The County Clerk Did Not Deposit \$118,786 Of 2008 Fees Collected In Her 2008 Official Fee Account
- 2008-04** The County Clerk Expended \$58,733 In 2008 On An Office Renovation Project. Of This Amount, Auditors Question The Reasonableness Of \$23,875
- 2008-05** The County Clerk Should Properly Account For Receivables
- 2008-06** The County Clerk's Office Has A Lack Of Segregation Of Duties Over Collection Of Receipts, Payment For Goods and Services, Monthly Bank Reconciliations, And Financial Statement Preparation
- 2008-07** The County Clerk Should Disclose Related Party Transactions Involving Payments Of \$12,650 Made To Her Spouse To The Wayne County Board Of Ethics
- 2008-08** The County Clerk Should Reimburse The Fee Account The Amount Of Any Personal Insufficient Fund Checks Deposited In The Fee Account

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Greg Rankin, Wayne County Judge/Executive
The Honorable Melissa Turpin, Wayne County Clerk
Members of the Wayne County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Wayne County, Kentucky, for the year ended December 31, 2008. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

Except as discussed below, we conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The County Clerk did not provide us with a management representation letter as required by auditing standards generally accepted in the United States of America.

In our opinion, except for the effects of any matters that might have been disclosed if we had provided a management representation letter, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2008, in conformity with the regulatory basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole. The schedule of excess of liabilities over assets is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in our opinion, except for the effects of any matters that might have been disclosed if we had provided a management representation letter, is fairly stated in all material respects in relation to the financial statement taken as a whole.



The Honorable Greg Rankin, Wayne County Judge/Executive
The Honorable Melissa Turpin, Wayne County Clerk
Members of the Wayne County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated June 3, 2009 on our consideration of the Wayne County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2008-01** The County Clerk Has A Deficit Of \$139,986 In Her Official Fee Account
- 2008-02** The County Clerk Expended \$58,733 In 2008 On An Office Renovation Project Of Which \$16,950 Did Not Have Proper Documentation And Has Been Disallowed. The County Clerk Also Spent \$4,250 For Cleaning The Office That Did Not Have Proper Documentation And Has Been Disallowed
- 2008-03** The County Clerk Did Not Deposit \$118,786 Of 2008 Fees Collected In Her 2008 Official Fee Account
- 2008-04** The County Clerk Expended \$58,733 In 2008 On An Office Renovation Project. Of This Amount, Auditors Question The Reasonableness Of \$23,875
- 2008-05** The County Clerk Should Properly Account For Receivables
- 2008-06** The County Clerk's Office Has A Lack Of Segregation Of Duties Over Collection Of Receipts, Payment For Goods and Services, Monthly Bank Reconciliations, And Financial Statement Preparation
- 2008-07** The County Clerk Should Disclose Related Party Transactions Involving Payments Of \$12,650 Made To Her Spouse To The Wayne County Board Of Ethics
- 2008-08** The County Clerk Should Reimburse The Fee Account The Amount Of Any Personal Insufficient Fund Checks Deposited In The Fee Account

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Wayne County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

June 3, 2009

WAYNE COUNTY
MELISSA TURPIN, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2008

Revenues

| | | |
|--|------------|-----------|
| State Fees For Services | | \$ 66,890 |
| Fiscal Court | | 7,659 |
| Licenses and Taxes: | | |
| Motor Vehicle- | | |
| Licenses and Transfers | \$ 667,484 | |
| Usage Tax | 808,829 | |
| Tangible Personal Property Tax | 1,228,187 | |
| Other- | | |
| Fish and Game Licenses | 4,297 | |
| Marriage Licenses | 5,573 | |
| Occupational Licenses | 1,220 | |
| Recycle Receipts | 128 | |
| Notary Fees | 4,617 | |
| Deed Transfer Tax | 41,324 | |
| Delinquent Tax | 99,712 | 2,861,371 |
| | | |
| Fees Collected for Services: | | |
| Recordings- | | |
| Deeds, Easements, and Contracts | 22,335 | |
| Real Estate Mortgages | 37,633 | |
| Chattel Mortgages and Financing Statements | 57,601 | |
| Powers of Attorney | 2,371 | |
| All Other Recordings | 38,608 | |
| Charges for Other Services- | | |
| Candidate Filing Fees | 200 | |
| Copywork | 2,389 | |
| Postage | 728 | 161,865 |
| | | |
| Other: | | |
| Refunds | 11,114 | |
| Credit Card Fees | 1,211 | |
| Miscellaneous | 961 | 13,286 |
| | | |
| Interest Earned | | 646 |
| | | |
| Total Revenues | | 3,111,717 |

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

WAYNE COUNTY
MELISSA TURPIN, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2008
(Continued)

Expenditures

Payments to State:

Motor Vehicle-

| | | | |
|--------------------------------|----|---------|--|
| Licenses and Transfers | \$ | 467,801 | |
| Usage Tax | | 786,455 | |
| Tangible Personal Property Tax | | 458,810 | |

Licenses, Taxes, and Fees-

| | | | |
|------------------------|--|---------------|--------------|
| Fish and Game Licenses | | 2,527 | |
| Delinquent Tax | | 20,488 | |
| Legal Process Tax | | 21,975 | |
| Miscellaneous | | 40,266 | |
| | | <u>40,266</u> | \$ 1,798,322 |

Payments to Fiscal Court:

| | | | |
|--------------------------------|--|--------------|---------|
| Tangible Personal Property Tax | | 94,287 | |
| Delinquent Tax | | 9,288 | |
| Deed Transfer Tax | | 39,258 | |
| Occupational Licenses | | 1,102 | |
| | | <u>1,102</u> | 143,935 |

Payments to Other Districts:

| | | | |
|--------------------------------|--|---------------|---------|
| Tangible Personal Property Tax | | 614,520 | |
| Delinquent Tax | | 42,369 | |
| | | <u>42,369</u> | 656,889 |

Payments to Sheriff 1,210

Payments to County Attorney 13,793

Operating Expenditures and Capital Outlay:

Personnel Services-

| | | | |
|--------------------|--|---------|--|
| Deputies' Salaries | | 165,533 | |
|--------------------|--|---------|--|

Contracted Services-

| | | | |
|----------------------|--|-------|--|
| Printing and Binding | | 6,977 | |
|----------------------|--|-------|--|

Materials and Supplies-

| | | | |
|--------------------------------|--|-------|--|
| Office Supplies | | 5,671 | |
| Bank Credit/Miscellaneous Fees | | 2,015 | |

Other Charges-

| | | | |
|------------------------|--|-------|--|
| Conventions and Travel | | 4,952 | |
| Dues | | 780 | |

WAYNE COUNTY
MELISSA TURPIN, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2008
(Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay: (Continued)

Other Charges- (Continued)

| | | | |
|---|----|---------------|---------------------|
| Postage | \$ | 67 | |
| Professional Services | | 10,703 | |
| Uncollected Returned Checks | | 904 | |
| Refunds | | <u>11,901</u> | \$ 209,503 |
| Capital Outlay- | | | |
| Office Equipment | | 16,996 | |
| Furniture/Fixture | | <u>58,733</u> | 75,729 |
| Debt Service: | | | |
| Lease Purchases | | | <u>3,460</u> |
| Total Expenditures | | | <u>\$ 2,902,841</u> |
| Less: Disallowed Expenditures | | | 21,200 |
| Total Allowable Expenditures | | | 2,881,641 |
| Net Revenues | | | 230,076 |
| Less: Statutory Maximum | | | <u>74,020</u> |
| Excess Fees | | | 156,056 |
| Less: Expense Allowance | | 3,600 | |
| Training Incentive Benefit | | <u>1,762</u> | <u>5,362</u> |
| Excess Fees Due County for 2008 | | | 150,694 |
| Payments to Fiscal Court - | | | |
| March 12, 2009 | | 19,472 | |
| March 12, 2009 | | <u>22,966</u> | <u>42,438</u> |
| Balance Due Fiscal Court at Completion of Audit | | | <u>\$ 108,256</u> |

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

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2008

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 revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for December 31, 2008 services
- Reimbursements for December 31, 2008 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in December 31, 2008

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, 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).

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2008
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that 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 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent for the first six months and 13.50 percent for the last six months of the year.

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.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Wayne County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The Wayne County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2008
(Continued)

Note 4. Lease

The office of the County Clerk was committed to a lease agreement with Xerox for a copier. The agreement requires a monthly payment of \$288 for 60 months to be completed on July 13, 2008. The contract was renewed until July 31, 2009, with the same monthly payment of \$288. The total balance of the agreement was \$2,018 as of December 31, 2008.

Note 5. Related Party Transactions

During the year ended December 31, 2008, the County Clerk had related party transactions and corresponding disbursements totaling \$12,650 paid to her spouse. Of the total paid, \$4,250 was for cleaning services, \$2,200 was for painting the office, and \$6,200 was posted as labor.

Note 6. Subsequent Events

During the year ended December 31, 2008, \$31,730 of 2009 funds had been used to pay 2008 excess fees. These funds will be due back to the 2009 Fee account causing a deficit of \$139,986 in the 2008 Fee account.

WAYNE COUNTY
MELISSA TURPIN, COUNTY CLERK
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS - REGULATORY BASIS

As Of December 31, 2008

Assets

| | |
|---------------------|---------------|
| Cash in Bank | \$ 172,776 |
| Deposits in Transit | <u>23,882</u> |
| Total Assets | 196,658 |

Liabilities

| | |
|---|----------------------------|
| Paid Obligations: | |
| Outstanding Checks | \$ 185,950 |
| Wayne County Fiscal Court Excess Fees - 2008 | <u>42,438</u> |
| Total Paid Obligations | <u>228,388</u> |
| Unpaid Obligations: | |
| Wayne County Fiscal Court Excess Fees - 2008 | <u>108,256</u> |
| Total Unpaid Obligations | <u>108,256</u> |
| Total Liabilities | <u>336,644</u> |
| Total Cumulative Fund Deficit as of December 31, 2008 | <u><u>\$ (139,986)</u></u> |

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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**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Greg Rankin, Wayne County Judge/Executive
The Honorable Melissa Turpin, Wayne County Clerk
Members of the Wayne County Fiscal Court

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

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Wayne County Clerk for the year ended December 31, 2008, and have issued our report thereon dated June 3, 2009, wherein we issued a qualified opinion because the County Clerk did not provide us with a management representation letter as required by auditing standards generally accepted in the United States of America. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Wayne County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying comments and recommendations as items 2008-01, 2008-02, 2008-03, 2008-05, 2008-06, and 2008-08.



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

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above, as items 2008-01, 2008-02, 2008-03, and 2008-06 to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Wayne County Clerk's financial statement for the year ended December 31, 2008, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations as items 2008-01, 2008-02, 2008-03, 2008-04, and 2008-07.

This report is intended solely for the information and use of management, the Wayne County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

June 3, 2009

COMMENTS AND RECOMMENDATIONS

WAYNE COUNTY
MELISSA TURPIN, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2008

FINANCIAL STATEMENT FINDINGS:

2008-01 The County Clerk Has A Deficit Of \$139,986 In Her Official Fee Account

The County Clerk has a deficit of \$139,986 in her official fee account, which consists of the following items:

- \$87,056 deposited into the 2007 fee account from 2008 fee receipts. Please note these monies were used to cover a 2007 deficit reported in the prior year audit and were paid to the fiscal court as 2007 excess fees on February 14, 2008.
- \$31,730 in additional monies was not deposited into the 2008 fee account. Auditors recapped each daily checkout sheet for 2008, compared each total to each daily bank deposit, and concluded there was a total of \$118,786 of un-deposited receipts throughout the year. The un-deposited receipts included \$87,056 of 2008 receipts deposited into the 2007 Fee Account (see first bullet) and the additional shortage of \$31,730 in 2008, which was ultimately covered with 2009 fee receipts. (See comment **2008-03**).
- \$21,200 in disallowed expenditures for office renovation and cleaning. (See comment **2008-2**).

When receipts are not deposited into the correct account or not deposited at all, and monies are spent on disallowed expenditures, reports submitted by the County Clerk for external purposes can be inaccurate and the County Clerk is ultimately required to deposit personal funds to cover these items.

As in any office, the County Clerk is expected to deposit all monies paid to her office. She is also expected to expend her fee account monies on allowable expenditures [**see Funk v. Milliken, 317 S.W.2d 499 (KY 1958)**].

We recommend the County Clerk pay the \$139,986 deficit from personal funds into the 2008 official fee account. Once the deficit is paid, we recommend excess fees of \$108,256 be paid to fiscal court. The remainder of \$31,730 will cover the 2009 fees that were inappropriately used to pay 2008 excess fees and outstanding liabilities. Please note the same bank account was used for 2008 and 2009.

We are referring this matter to the Kentucky State Police for further review.

County Clerk's Response: The official did not respond.

WAYNE COUNTY
 MELISSA TURPIN, COUNTY CLERK
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2008
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2008-02 The County Clerk Expended \$58,733 In 2008 On An Office Renovation Project Of Which \$16,950 Did Not Have Proper Documentation And Has Been Disallowed. The County Clerk Also Spent \$4,250 For Cleaning The Office That Did Not Have Proper Documentation And Has Been Disallowed

During the review of expenditures, we noted \$58,733 spent for remodeling the County Clerk's office. The total remodeling expense is comprised of the following:

- \$35,875 spent on cabinets and desks.
- \$19,925 labor charges
- \$2,933 miscellaneous items such as flooring, paint and other supplies.

In addition, the County Clerk paid her spouse \$4,250 for cleaning the office.

The County Clerk did not provide adequate supporting documentation, and had, therefore, the following unallowable expenditures, per **Funk v. Milliken, 317 S.W.2d 499 (KY 1958)**:

- \$16,950 (labor charge for office remodeling) had no supporting documentation or had insufficient documentation. In addition, part of the documentation deemed insufficient was actually a receipt provided by the County Clerk to the individual she paid to do the work. The individual did not provide a vendor invoice as would be expected in the normal course of doing business. Please note \$8,400 of the labor charges were paid to the County Clerk's spouse (see comment **2008-7**)
- \$4,250 paid to the County Clerk's spouse for office cleaning had no documentation (see comment **2008-7**).

The County Clerk is expected to expend her fee account monies on allowable expenditures [**Funk v. Milliken, 317 S.W.2d 499 (KY 1958)**].

In **Funk vs. Milliken, 317 S.W.2d 499 (KY. 1958)**, Kentucky's highest court reaffirmed the rule that county fee officials' expenditures of public funds will be allowable only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not personal expenses.

When monies are spent on disallowed expenditures the County Clerk is required to deposit personal funds in the official bank account to cover these items. (See comment **2008-1**).

We recommend the County Clerk reimburse the 2008 Fee Account \$21,200 (See comment **2008-1**) in disallowed expenditures. We further recommend the County Clerk maintain adequate documentation for all expenditures of her office.

County Clerk's Response: The official did not respond.

WAYNE COUNTY
MELISSA TURPIN, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2008
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2008-03 The County Clerk Did Not Deposit \$118,786 Of 2008 Fees Collected In Her 2008 Official Fee Account

During the course of the audit, auditors recapped each daily checkout sheet for calendar year 2008, compared each total to each daily bank deposit, and concluded there was a total of \$118,786 of un-deposited receipts throughout the year. Of this amount, \$87,056 was deposited in the 2007 Fee Account, which was reported in the 2007 Wayne County Clerk Audit as being due from the County Clerk's personal funds to the official's 2008 Fee Account. An additional \$31,730 was not deposited in any official bank account during calendar year 2008.

The State Local Finance Officer was given the authority by KRS 68.210 to prescribe a uniform system of accounts. Page 61 of the *2006 Instructional Guide for County Budget Preparation and State Local Finance Office Policy Manual* states that the minimum requirements for all local government officials (and employees) includes, but is not limited to, daily deposits made intact into a federally insured banking institution, personal funds kept separate from public funds, and disbursements being made by check only.

We recommend the County Clerk take the steps necessary to comply with KRS 68.210 and reimburse the 2008 Fee account the total \$118,786. (See Comment **2008-1**)

County Clerk's Response: The official did not respond.

2008-04 The County Clerk Expended \$58,733 In 2008 On An Office Renovation Project. Of This Amount, Auditors Question The Reasonableness Of \$23,875

During the review of expenditures, we noted \$58,733 spent for remodeling the County Clerk's office. The total remodeling expense is comprised of the following:

- \$35,875 spent on cabinets and desks.
- \$19,925 on labor charges
- \$2,933 on miscellaneous items such as flooring, paint and other supplies.

WAYNE COUNTY
MELISSA TURPIN, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2008
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2008-04 The County Clerk Expended \$58,733 In 2008 On An Office Renovation Project. Of This Amount, Auditors Question The Reasonableness Of \$23,875 (Continued)

The County Clerk had the following expenditures deemed questionable per **Funk v. Milliken, 317 S.W.2d 499 (KY 1958)**:

The total spent on cabinets and desks include the front section of the office which the County Clerk received a bid of \$12,000 (See item A below). Auditors question the remaining cost of \$23,875, which appears to be an unreasonable amount for items purchased. The following items comprise the total spent on cabinets and desks.

| | | | | |
|-----|---|---|----|------------------|
| | 1 | 15' Desk | \$ | 1,200 |
| | 1 | 44"X72" License Plate Rack | | 600 |
| | 1 | 72" Book Shelf Cabinets | | 1,200 |
| | 1 | L Shaped Desk and Top | | 2,200 |
| | 1 | Corner TV Shelf | | 250 |
| | 1 | License Plate Rack | | 800 |
| | 1 | Cabinet and Top | | 2,800 |
| | 1 | Frame For Map | | 225 |
| | 1 | Computer Desk | | 2,800 |
| | 1 | 8' Storage Cabinet | | 2,100 |
| | 1 | 60" Levolor Blind | | 100 |
| | 1 | Cabinet and Removal of Old Cabinets | | 9,000 |
| | 2 | Solid Oak Bench Seats | | 600 |
| (A) | 1 | Sectioned Computer Cabinets and Counter Top | | 12,000 |
| | | | | <u>\$ 35,875</u> |

In **Funk vs. Milliken, 317 S.W.2d 499 (KY. 1958)**, Kentucky's highest court reaffirmed the rule that county fee officials' expenditures of public funds will be allowable only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not personal expenses.

We recommend the County Clerk consult the Fiscal Court to determine if \$23,875 is reasonable. If the amount is deemed unreasonable by Fiscal Court, it will become a disallowed expense subject to personal reimbursement by the County Clerk to the Fiscal Court as excess fees.

County Clerk's Response: The official did not respond.

WAYNE COUNTY
MELISSA TURPIN, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2008
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2008-05 The County Clerk Should Properly Account For Receivables

During the course of the audit, we noted the County Clerk allowed customers to charge for services rendered by the County Clerk's office. The County Clerk stated she maintained a journal for the charges, but when auditors compared the journal to the daily checkout sheets not all charges were documented in the journal and some of the charges were not documented on the daily checkout sheet to explain the shortage for that day.

We recommend in the future, if the County Clerk allows customers to charge for services rendered by the County Clerk's Office, a detailed ledger be completed and maintained and the County Clerk should ensure all accounts are paid in full by year end.

County Clerk's Response: The official did not respond.

2008-06 The County Clerk's Office Has A Lack Of Segregation Of Duties Over Collection Of Receipts, Payment For Goods and Services, Monthly Bank Reconciliations, And Financial Statement Preparation

During the review of internal controls, we noted the following:

- During the first part of the year, the County Clerk received monies, prepared the daily checkout sheet, made deposits, prepared and signed all checks, performed monthly bank reconciliations, and prepared the financial statements. When preparing the daily checkout sheet, she stated that if the deposits did not match the daily checkout sheet she assumed the difference was a charge and indicated it as a charge on the daily checkout without proper verification (see **comment 2008-5**).
- As a result of the 2007 audit (conducted in 2008), the County Clerk segregated some of the job duties listed in the first bullet. She segregated the following: another employee made the deposits, each deputy clerk had their own cash drawer and prepared their own daily checkout sheets, and the bookkeeper performed the bank reconciliations. The County Clerk documented the review process by initialing source documents.
- The bookkeeper posted all receipts to the ledger from the daily checkout sheet and most disbursements to the ledger from the canceled checks and bank statements. The County Clerk posted some disbursements.

WAYNE COUNTY
MELISSA TURPIN, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2008
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2008-06 The County Clerk's Office Has A Lack Of Segregation Of Duties Over Collection Of Receipts, Payment For Goods and Services, Monthly Bank Reconciliations, And Financial Statement Preparation (Continued)

Auditors recapped and compared all daily checkout sheets to the daily bank deposits and noted that most of the large discrepancies between the daily checkout sheets and the daily bank deposits occurred between the months of January through May 2008 (see comment **2008-1** and **2008-3**).

Lack of segregation of duties or proper oversight could result in misappropriation of assets and/or inaccurate financial reporting to the fiscal court and external agencies such as the Department for Local Government, which could occur but go undetected.

Segregation of duties over various accounting functions, such as opening mail, recording cash, preparing bank deposits, writing checks, posting transactions to ledgers, reconciling bank records to the ledgers and preparing monthly reports or the implementation of compensating controls, when needed because the number of staff is limited, is essential for providing protection from asset misappropriation and/ or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

The County Clerk strengthened internal controls during the course of the year by segregating duties and by implementing and documenting compensating controls. Examples of compensating controls include, reviewing daily checkout procedures for accuracy, verifying all charges, reviewing bank reconciliations prepared by the bookkeeper, and ensuring that financial statements were accurate. The County Clerk documented the review process by initialing reports.

We recommend the County Clerk continue to segregate the various functions within her office and work to segregate any additional areas deemed necessary, especially disbursements.

County Clerk's Response: The official did not respond.

WAYNE COUNTY
MELISSA TURPIN, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2008
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2008-07 The County Clerk Should Disclose Related Party Transactions Involving Payments Of \$12,650 Made To Her Spouse To The Wayne County Board Of Ethics

During the review of related party transactions and corresponding disbursements, auditors noted twenty-two checks written to the County Clerk's husband totaling \$12,650. Of the total paid, \$4,250 was for cleaning services, \$2,200 was for painting the office, and \$6,200 was posted as labor. None of the expenditures was properly documented which resulted in the total amount being disallowed (See Comment **2008-2**).

We recommend the County Clerk disclose all related party transactions to the Wayne County Board of Ethics for review of appropriateness.

County Clerk's Response: The official did not respond.

2008-08 The County Clerk Should Reimburse The Fee Account The Amount Of Any Personal Insufficient Fund Checks Deposited In The Fee Account

On December 31, 2008, the County Clerk wrote a \$122 check from her personal bank account for personal vehicle taxes, which was deposited into the official bank account. On January 8, 2009, the check was returned for insufficient funds. After the auditor brought the returned check to the County Clerk's attention on May 18, 2009, the County Clerk paid the insufficient amount with a money order. Subsequent to January 8, 2009, the Clerk had two additional insufficient funds checks returned, both of which were paid on May 18, 2009.

We recommend the County Clerk take the necessary steps to prevent personal checks written to the official bank account returning as insufficient.

County Clerk's Response: The official did not respond.

