

**REPORT OF THE AUDIT OF THE  
OWSLEY COUNTY  
CLERK**

**For The Year Ended  
December 31, 2020**



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

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



CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT .....	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS .....	4
NOTES TO FINANCIAL STATEMENT .....	7
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 <i>GOVERNMENT AUDITING STANDARDS</i> .....	13
SCHEDULE OF FINDINGS AND RESPONSES .....	17

THIS PAGE LEFT BLANK INTENTIONALLY



**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Cale Turner, Owsley County Judge/Executive  
The Honorable Shanna Oliver, Owsley County Clerk  
Members of the Owsley County Fiscal Court

Independent Auditor's Report

**Report on the Financial Statement**

We have audited the accompanying Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the County Clerk of Owsley County, Kentucky, for the year ended December 31, 2020, and the related notes to the financial statement.

**Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



The Honorable Cale Turner, Owsley County Judge/Executive  
The Honorable Shanna Oliver, Owsley County Clerk  
Members of the Owsley County Fiscal Court

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

As described in Note 1 of the financial statement, the financial statement is prepared by the Owsley County Clerk on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Owsley County Clerk, as of December 31, 2020, or changes in financial position or cash flows thereof for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the Owsley County Clerk for the year ended December 31, 2020, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2021, on our consideration of the Owsley County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Owsley County Clerk's internal control over financial reporting and compliance.

The Honorable Cale Turner, Owsley County Judge/Executive  
The Honorable Shanna Oliver, Owsley County Clerk  
Members of the Owsley County Fiscal Court

**Other Reporting Required by *Government Auditing Standards* (Continued)**

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

- 2020-001 The Owsley County Clerk Did Not Comply With Department For Local Government (DLG) Requirements Regarding Approval And Submission Of Annual Budget, Quarterly Financial Reports, And Annual Settlement
- 2020-002 The Owsley County Clerk Is Not Remitting Fees In Compliance With Kentucky Revised Statutes
- 2020-003 The Owsley County Clerk Did Not Deposit Funds Timely
- 2020-004 The Owsley County Clerk's Office Does Not Have Adequate Segregation Of Duties
- 2020-005 The Owsley County Clerk Did Not Prepare Franchise Tax Bills Promptly

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

November 5, 2021

OWSLEY COUNTY  
SHANNA OLIVER, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2020

Receipts

Federal Grants	\$	23,531
State Revenue Supplement		68,059
State Fees For Services		19
Licenses and Taxes:		
Motor Vehicle-		
Licenses and Transfers	\$	141,820
Usage Tax		139,679
Tangible Personal Property Tax		293,987
Notary Fees		3,022
Other-		
Marriage Licenses		640
Deed Transfer Tax		7,211
Delinquent Tax		39,280
		625,639
Fees Collected for Services:		
Recordings-		
Deeds, Easements, and Contracts		9,979
Real Estate Mortgages		5,570
Chattel Mortgages and Financing Statements		9,194
Powers of Attorney		697
Document Storage Fee		4,880
All Other Recordings		4,920
Charges for Other Services-		
Candidate Filing Fees		590
Postage		795
		36,625
Other:		
Miscellaneous		810
Interest Earned		50
Total Receipts		754,733

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



OWSLEY COUNTY  
 SHANNA OLIVER, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2020  
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 98,733

Usage Tax 135,489

Tangible Personal Property Tax 110,169

Licenses, Taxes, and Fees-

Delinquent Tax 2,363

Legal Process Tax 3,151

Affordable Housing Trust 2,802 \$ 352,707

Payments to Fiscal Court:

Tangible Personal Property Tax 29,329

Delinquent Tax 3,558

Deed Transfer Tax 6,850 39,737

Payments to Other Districts:

Tangible Personal Property Tax 142,731

Delinquent Tax 21,045 163,776

Payments to Sheriff

3,538

Payments to County Attorney

4,830

Operating Disbursements:

Personnel Services-

Deputies' Salaries 23,677

Overtime 233

Employee Benefits-

Employer's Share Social Security 8,043

Employer's Share Retirement 25,295

Contracted Services-

Advertising 1,020

Materials and Supplies-

Office Supplies 148

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

OWSLEY COUNTY  
 SHANNA OLIVER, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2020  
 (Continued)

Disbursements (Continued)

Operating Disbursements: (Continued)

Other Charges-			
Dues	\$	720	
Miscellaneous		846	
Postage		1,036	
Telephone		1,675	
Federal Grant		23,531	
Service Contract		<u>1,800</u>	\$ <u>88,024</u>
Total Disbursements			<u>\$ 652,612</u>
Net Receipts			102,121
Less: Statutory Maximum			<u>77,625</u>
Excess Fees			24,496
Less: Expense Allowance			<u>3,600</u>
Excess Due Fiscal Court at Completion of Audit*			<u>\$ 20,896</u>

\* - The county clerk presented a check to the fiscal court for excess fees on November 5, 2021.

OWSLEY COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2020

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

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

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

- Interest receivable
- Collection on accounts due from others for 2020 services
- Reimbursements for 2020 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2020

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

C. Cash and Investments

KRS 66.480 authorizes the county clerk's office to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

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

The clerk's office has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

OWSLEY COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2020  
 (Continued)

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

The county clerk's contribution for calendar year 2018 was \$21,291 calendar year 2019 was \$23,920 and calendar year 2020 was \$25,295.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent of their salary to be allocated as follows: five percent will go to the member's account and one percent will go to the KRS insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute five percent of their annual creditable compensation. Nonhazardous members also contribute one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the KRS Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008, must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

The county's contribution rate for nonhazardous employees was 24.06 percent for the year.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<b>Years of Service</b>	<b>% Paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

OWSLEY COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2020  
 (Continued)

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

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Benefits are covered under KRS 161.714 with exception of COLA and retiree health benefits after July 2003.

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

Once members reach a minimum vesting period of 15 years, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5 percent. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5 percent cost of living adjustment (COLA) since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

Tier 2 member benefits are covered by KRS 161.714 with exception of COLA and retiree health benefits after July 2003. Tier 3 members are not covered by the same provisions.

C. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of KRS benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5 percent. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

D. Cost of Living Adjustments - Tier 2 and Tier 3

No COLA is given unless authorized by the legislature with specific criteria. To this point, no COLA has been authorized by the legislature for Tier 2 or Tier 3 members.

E. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KRS will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

OWSLEY COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2020  
(Continued)

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

KRS Annual Financial Report and Proportionate Share Audit Report

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

KRS also issues proportionate share audit reports for both total pension liability and other post-employment benefits for CERS determined by actuarial valuation as well as each participating county's proportionate share. Both the Schedules of Employer Allocations and Pension Amounts by Employer and the Schedules of Employer Allocations and OPEB Amounts by Employer reports and the related actuarial tables are available online at <https://kyret.ky.gov>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

Note 3. Deposits

The Owsley County Clerk maintained deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG) *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 Owsley County Clerk does not have a deposit policy for custodial credit risk, but rather follows the requirements of the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of December 31, 2020, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Federal Grant

The Owsley County Clerk's office received an election expense grant from the Coronavirus Aid, Relief, and Economic Security Act (CARES) in the amount of \$23,531. Funds totaling \$11,315 were expended during the year. The unexpended grant balance was \$12,216 as of December 31, 2020, and will be refunded to the grantor.

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*

THIS PAGE LEFT BLANK INTENTIONALLY





**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Cale Turner, Owsley County Judge/Executive  
The Honorable Shanna Oliver, Owsley County Clerk  
Members of the Owsley County Fiscal Court

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Owsley County Clerk for the year ended December 31, 2020, and the related notes to the financial statement and have issued our report thereon dated November 5, 2021. The Owsley County Clerk's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified 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 2020-001, 2020-002, 2020-003, 2020-004, and 2020-005 to be material weaknesses.



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

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Owsley 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 2020-001, 2020-002, 2020-003, and 2020-005.

**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,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon  
Auditor of Public Accounts

November 5, 2021

## SCHEDULE OF FINDINGS AND RESPONSES

THIS PAGE LEFT BLANK INTENTIONALLY

OWSLEY COUNTY  
SHANNA OLIVER, COUNTY CLERK  
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2020

FINANCIAL STATEMENT FINDINGS:

2020-001 The Owsley County Clerk Did Not Comply With Department For Local Government (DLG) Requirements Regarding Approval And Submission Of Annual Budget, Quarterly Financial Reports, And Annual Settlement

---

This is a repeat finding and was included in the prior year audit report as finding 2019-001. The county clerk presented her budget and annual order setting maximum salary for deputies and assistants to the fiscal court for calendar year 2020; however, it was not presented in a timely manner as required by the Department for Local Government guidelines. Furthermore, the county clerk has not submitted her annual settlement and excess fees to the fiscal court for the calendar year ending December 31, 2020, nor has she submitted the quarterly financial reports and annual settlement to the Department for Local Government as required.

Per the county clerk, the employee who performed the function of creating and completing the quarterly financial report prior to the county clerk reviewing was laid off during COVID-19 and upon returning to work was busy trying to catchup on various reports while still working the front line on a daily basis. The deadline for submitting the reports came and went and therefore the county clerk though it was too late to submit the reports.

The lack of compliance with KRS's 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 said financial activity and make fully informed financial decisions for the county.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*, which requires the fiscal court approve a calendar year budget for each fee office as a component of the county's budget preparation process by January 15 of each year.

In addition, the state local finance officer also requires the quarterly report to be submitted to their office no later than 30 days following the close of the quarters ending March 31, June 30, September 30, and December 31.

KRS 64.152(1) states, "[i]n counties containing a population of less than seventy-five thousand (75,000), the county clerk shall provide to the fiscal court by March 15 of each year a complete statement for the preceding calendar year..." KRS 64.152 (2) states "At the time of filing the statement required by subsection (1) of this section, the county 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.

We recommend the county clerk comply with the applicable KRS's and the Department for Local Government manual by submitting her annual budget, quarterly financial reports, and annual settlement to Department for Local Government as required. In addition, we recommend the county clerk submit her annual settlement and excess fees accurately and completely to the fiscal court no later than March 15.

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

OWSLEY COUNTY  
SHANNA OLIVER, COUNTY CLERK  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended December 31, 2020  
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-002 The Owsley County Clerk Is Not Remitting Fees In Compliance With Kentucky Revised Statutes

This is a repeat finding and was included in the prior year audit report as finding 2019-002. During calendar year 2020, it was noted that the payments for the following items were not remitted in compliance with the corresponding KRS.

The county clerk collects motor vehicle property tax receipts which are to be paid to the state, county, and districts on or before the tenth of the following month; however, for calendar year 2020 the payments and reports were not submitted timely. Eight of 12 payments due to the state, county, and districts were paid late as noted below:

- January-July checks were not issued/delivered to the payee timely. Payments for March - June were not paid until July 22, 2020.
- October checks were issued on November 12, 2020 (two days late).

The county clerk collects delinquent tax receipts which are to be paid to the state, county, and districts on or before the tenth of the following month; however, for calendar year 2020 the payments and reports were not submitted timely. April had no delinquent tax collections leaving 11 monthly payments due to the state, county, and districts. Six of the 11 payments due to the state, county, and districts were paid late as noted below:

- January, March, May, June, July, and August checks were not issued/delivered to the payee timely. Payments for March, May, and June were all paid on July 27, 2020.

The county clerk collects legal processing receipts which are to be paid to the state on or before the tenth of the following month; however, for calendar year 2020 seven of 12 payment due to the state were paid late as noted below:

- January, March-July, and September checks were not issued/delivered timely. Payments for March - July were not paid until September.

The county clerk collects affordable housing receipts which are to be paid to the state by the tenth of the month after the quarter ends; however, for calendar year 2020 the county clerk made monthly payments instead of quarterly payment for all four quarters. Since the payments are not due until the tenth of the month after the quarter ends, some of the quarterly payments were made on time and some were late. Of the 12 payments made, five payments were not made timely with March through June payments being dated September 9, 2020 and September payment being dated October 13, 2020, or three days late.

The county clerk collects deed transfer tax receipts which are to be paid to the county by the tenth of the month after the quarter ends; however, for calendar year 2020 the first and second quarters were not paid timely.

OWSLEY COUNTY  
SHANNA OLIVER, COUNTY CLERK  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended December 31, 2020  
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-002 The Owsley County Clerk Is Not Remitting Fees In Compliance With Kentucky Revised Statutes  
(Continued)

---

In addition, some checks are not being issued and released timely as there were 22 additional liabilities checks issued after February 2020.

Due to the lateness of the payments due to the state, the county clerk has received numerous fees, penalties, and interest notifications from the state going back to 2013 and continuing into 2020. The total presently known due to the state in fines, penalties, and interest is \$36,902. Since fees, penalties, and interest is not an allowable office expense, the county clerk will be personally responsible for the payment of these bills.

The county clerk stated she did not have adequate controls and procedures in place to ensure disbursements were made timely; however, for the later part of calendar year 2019 she stated she had made significant changes to her procedures to ensure compliance and disbursements are made timely. However, due to COVID-19 parts of calendar year 2020 was not in compliance. She further stated that since her employees were laid off during part of 2020, due to COVID-19, that this had caused a setback in implementing the new control and procedures that were developed in calendar year 2019.

The state, county, and districts did not have all the funds they budgeted for and may have not been able to provide services to tax payers due to lack of funding. In addition, the county clerk is not in compliance with Kentucky Revised Statutes (KRS) which allow for penalties and interest to be assessed for late payments.

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

KRS 134.126(3) states, “[t]he county clerk shall report by the tenth day of each month to the department, the county treasurer, the sheriff, and the proper officials of the taxing districts. The governing body of a county may require the county clerk to report and pay on a more frequent basis if necessary for bonding requirements; however, the county clerk shall not be required to report and pay more frequently than weekly. (4) The county clerk shall allocate payments among the various entities entitled to a portion of the payment. The county clerk shall, at the time he or she makes the reports required by subsection (3) of this section: (a) Pay to the department for deposit in the State Treasury all moneys received due the state; (b) Pay to the county treasurer all moneys received due the county; (c) Pay to the authorized officers of the taxing districts the amount due each taxing district; and (d) Pay the amount of fees, costs, commissions, and penalties to the persons, agencies, or parties entitled thereto.”

KRS 64.012(1)(a) outlines the fees charged by county clerks and says, “2. The thirty-three dollar (\$33) fee imposed by this subsection shall be divided as follows: a. Twenty-seven dollars (\$27) shall be retained by the county clerk; and b. Six dollars (\$6) shall be paid to the affordable housing trust fund established in KRS 198A.710 and shall be remitted by the county clerk within ten (10) days following the end of the quarter in which the fee was received. Each remittance to the affordable housing trust fund shall be accompanied by a summary report on a form prescribed by the Kentucky Housing Corporation.”

OWSLEY COUNTY  
 SHANNA OLIVER, COUNTY CLERK  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2020  
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-002 The Owsley County Clerk Is Not Remitting Fees In Compliance With Kentucky Revised Statutes  
 (Continued)

---

KRS 142.010 outlines taxes imposed on legal processes and instruments and the applicable fees. Subsection 3 of the statute 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. (4) Any county clerk who violates any of the provisions of this section shall be subject to the uniform civil penalties imposed pursuant to KRS 131.180. In every case, any tax not paid on or before the due date shall bear interest at the tax interest rate as defined in KRS 131.010(6) from the date due until the date of payment.”

KRS 142.050(4) states, “[t]he county clerk shall collect the amount due and certify the date of payment and the amount of collection on the deed. The county clerk shall retain five percent (5%) as his fee for collection and remit the balance every three (3) months to the county treasurer, who shall deposit the money in the county general fund.”

KRS 131.180(1) states. “[a]ny taxpayer who files any return or report after the due date prescribed for filing or the due date as extended by the department shall, unless it is shown to the satisfaction of the department that the failure is due to reasonable cause, pay a penalty equal to two percent (2%) of the total tax due for each thirty (30) days or fraction thereof that the report or return is late. The total penalty levied pursuant to this subsection shall not exceed twenty percent (20%) of the total tax due; however, the penalty shall not be less than ten dollars (\$10).”

KRS 131.183(1)(a) states, “[e]xcept for the addition to tax required when an underpayment of estimated tax occurs under KRS 141.044 and 141.305, all taxes payable to the Commonwealth not paid at the time prescribed by statute shall accrue interest at the tax interest rate.”

We recommend the county clerk pay over receipts timely to ensure compliance with all Kentucky Revised Statutes and to prevent penalties and interest payments due for late payments. We further recommend the county clerk settle late fees, fines, and interest due to the Department of Revenue.

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

2020-003 The Owsley County Clerk Did Not Deposit Funds Timely

---

This is a repeat finding and was included in the prior year audit report as finding 2019-003. The county clerk did not process receipts timely nor did her office make daily deposits. Test of daily receipts for the week of December 7 through December 12 noted the following issues:

- December 7, 2020 receipts included five checks. Two checks were dated over a week prior to processing with dates of October 16 and November 6.
- December 8, 2020 receipts included ten checks. One check was dated over a week prior to processing with a date of August 13.
- December 9, 2020 receipts included four checks. Two checks were dated over a week prior to processing with dates of September 18 and November 19. In addition, these receipts were not deposited until December 22, 2020.



OWSLEY COUNTY  
 SHANNA OLIVER, COUNTY CLERK  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2020  
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-003 The Owsley County Clerk Did Not Deposit Funds Timely (Continued)

---

- December 10, 2020 receipts included 11 checks. Two checks were dated over a week prior to processing with dates of November 9 and November 12. In addition, these receipts were not deposited until December 22, 2020.
- December 11, 2020 receipts included five checks. One check was dated over a week prior to processing with a date of October 22. In addition, these receipts were not deposited until December 22, 2020.

The county clerk said she did not have adequate controls and procedures in place to ensure deposits were made daily and all mail was processed timely. She further stated she has implemented a new process to ensure items are being processed in a timely manner and the deposits are being made daily. Inadequate controls over deposits increase the risk that undetected fraud, errors, and misstatements will occur. Delaying deposits also increases the risk that funds will be lost, stolen, or otherwise misappropriated.

The Department for Local Government has issued standards regarding “Handling Public Funds Minimum Requirements Pursuant To KRS 68.210 for All Local Government Officials (And Employees)”. One of the requirements is “[d]aily deposits intact into a federally insured banking institution. (KRS 68.210)”. Additionally, strong internal controls require all payments be deposited timely and on the date received.

We recommend the county clerk comply with KRS 68.210 regarding deposits. We further recommend the county clerk ensure all payments are deposited timely by establishing effective internal controls over receipts and deposits.

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

2020-004 The Owsley County Clerk’s Office Does Not Have Adequate Segregation Of Duties

---

This is a repeat finding and was included in the prior year audit report as finding 2019-004. The Owsley County Clerk and her employees all collect cash and process transactions. In addition, the Owsley County Clerk prepares the daily deposits, daily, weekly, and monthly reports as well as writes and signs disbursement checks and although a receipt/disbursement ledger is prepared by another employee there is no documentation of a review nor does it appear to be completed in a timely manner.

According to the county clerk this lack of segregation of duties is a result of a limited budget; which restricts the number of employees the county clerk can hire and delegate responsibilities to. Without adequate segregation of duties, there is an increased risk of misappropriation of assets, errors, and inaccurate financial reporting to external agencies, such as the Department for Local Government.

The segregation of duties over various accounting functions such as preparing deposits, preparing daily checkout sheets, and issuing cash receipts is essential for providing protection from asset misappropriation and inaccurate financial reporting. Good internal controls further dictate that duties of preparing deposits, preparing checks, signing checks, posting to ledgers, and reconciliations of ledgers to bank accounts be segregated. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

OWSLEY COUNTY  
SHANNA OLIVER, COUNTY CLERK  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended December 31, 2020  
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-004 The Owsley County Clerk's Office Does Not Have Adequate Segregation Of Duties (Continued)

We recommend the Owsley County Clerk segregate duties over receipts, report preparation, bank reconciliations, and disbursements. If segregation of duties is not feasible due to lack of staff, the Owsley County Clerk should implement compensating controls to help mitigate any weakness. These compensating controls can and should be documented by initialing and dating the supporting documentation by the person who completed the comparison or review.

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

2020-005 The Owsley County Clerk Did Not Prepare Franchise Tax Bills Promptly

This is a repeat finding and was included in the prior year audit report as finding 2019-005. The county clerk received 22 notifications from the Department of Revenue regarding certifications for 2020 franchise bills. Eight of the 22 notifications were billed and turned over to the sheriff in a timely manner, two were under \$10 and therefore not billed. Ten were issued by the Department of Revenue between December 27, 2019 and February 3, 2020; however, these bills were not delivered to the sheriff until September 15, 2020. The remaining certifications were issued by the Department of Revenue on October 22 and November 9, 2020; however, the clerk's office did not prepare bills for these certifications until December 10, 2020.

The clerk stated she has now acquired a computerized program to help expedite the process. Since the county, school district, sheriff, and other taxing districts rely on franchise taxes to create their budgets and meet the associated expenses, not issuing franchise taxes bills timely could have a negative cash flow effect on the districts or sheriff.

In accordance with KRS 133.220, the county clerk is the local official responsible for the preparation of property tax bills each year. Public service (franchise) and other centrally assessed companies are handled in Frankfort by the Division of State Valuation, Public Service Branch, within the Department of Revenue. Assessments for these companies can get quite complicated and they can be finalized at any time during the year. This means that the county clerk's office will likely receive assessment certifications throughout the year. When these certifications are received by the clerk, a franchise property tax bill needs to be generated as soon as possible.

We recommend the county clerk implement procedures and controls to ensure franchise tax bills are prepared promptly after receiving the state assessment certification from the state and recommend they are immediately presented to the sheriff to be mailed and collected.

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