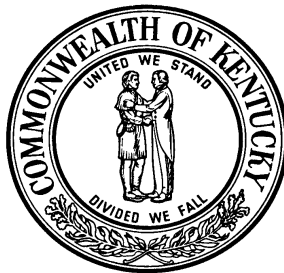


**REPORT OF THE AUDIT OF THE  
FORMER ELLIOTT COUNTY  
CLERK**

**For The Year Period  
January 1, 2016 Through August 10, 2016**



**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 Carl Fannin, Elliott County Judge/Executive  
The Honorable Shelia Blevins, Former Elliott County Clerk  
The Honorable Jennifer Carter, Elliott County Clerk  
Members of the Elliott 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 former County Clerk of Elliott County, Kentucky, for the period January 1, 2016 through August 10, 2016, 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 Carl Fannin, Elliott County Judge/Executive  
 The Honorable Shelia Blevins, Former Elliott County Clerk  
 The Honorable Jennifer Carter, Elliott County Clerk  
 Members of the Elliott 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 former 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, 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 each fund of the former Elliott County Clerk, as of August 10, 2016, 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 former Elliott County Clerk for the period January 1, 2016 through August 10, 2016, 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 February 8, 2018, on our consideration of the former 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 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 entity'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 comments:

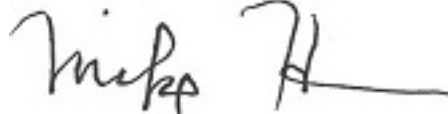
- 2016-001 The Former County Clerk Did Not Present An Annual Financial Settlement To The Fiscal Court And Did Not Pay Additional Excess Fees Of \$9,114
- 2016-002 The Former County Clerk Owes Ad Valorem Taxes Of \$13,018 To Taxing Districts For August 2016
- 2016-003 The Former County Clerk Owes Delinquent Taxes Of \$2,035 To Taxing Districts, The County Attorney, And The Sheriff For August 2016
- 2016-004 The Former County Clerk Owes Deed Transfer Taxes of \$705 To The Fiscal Court
- 2016-005 The Former County Clerk Was Overpaid Statutory Maximum Salary Of \$1,181
- 2016-006 The Former County Clerk Did Not Deposit The Election Commissioner Payment To The Fee Account
- 2016-007 The Former County Clerk Overpaid The Usage Tax Account By \$1,229

The Honorable Carl Fannin, Elliott County Judge/Executive  
The Honorable Shelia Blevins, Former Elliott County Clerk  
The Honorable Jennifer Carter, Elliott County Clerk  
Members of the Elliott County Fiscal Court

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

- 2016-008 The Former County Clerk Has Uncollected Receivables And Unpaid Liabilities In The 2016 Fee Account
- 2016-009 The Former County Clerk's Bond Did Not Meet The Requirements Of KRS 62.055
- 2016-010 The Former County Clerk Did Not Make Timely Excess Fees Payments To The Fiscal Court
- 2016-011 The Second And Third Quarterly Financial Reports Were Not Submitted To The Department For Local Government
- 2016-012 The Former County Clerk Has Uncollected Receivables And Unpaid Liabilities In The 2015 Fee Account
- 2016-013 The Former County Clerk Did Not Prepare Form 1099s For Contract Labor In Calendar Years 2012 And 2013
- 2016-014 The Former County Clerk Did Not Prepare An Accurate Receipts Ledger, Disbursements Ledger, Or Third Quarter Report
- 2016-015 The Former County Clerk's Office Lacked Adequate Segregation Of Duties And Internal Controls Over Fee Receipts And Disbursements

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

February 8, 2018

ELLIOTT COUNTY  
SHELIA BLEVINS, FORMER COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Period January 1, 2016 Through August 10, 2016

Receipts

State Revenue Supplement		\$ 65,777
Fiscal Court		50,997
Licenses and Taxes:		
Motor Vehicle-		
Licenses and Transfers	\$ 110,407	
Usage Tax	137,049	
Tangible Personal Property Tax	274,088	
Notary Fees	228	
Other-		
Marriage Licenses	816	
Deed Transfer Tax	3,788	
Delinquent Tax	27,618	553,994
Fees Collected for Services:		
Recordings-		
Deeds, Easements, and Contracts	2,690	
Real Estate Mortgages	3,675	
Chattel Mortgages and Financing Statements	11,898	
Powers of Attorney	224	
All Other Recordings	3,108	
Charges for Other Services-		
Candidate Filing Fees	290	
Copywork	745	
Postage	187	22,817
Other:		
Miscellaneous	1,521	
Liens	2,716	4,237
Interest Earned		31
Total Receipts		697,853

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



ELLIOTT COUNTY  
 SHELIA BLEVINS, FORMER COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Period January 1, 2016 Through August 10, 2016  
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 75,172

Usage Tax 136,251

Tangible Personal Property Tax 100,837

Licenses, Taxes, and Fees-

Delinquent Tax 2,532

Legal Process Tax 2,673

Affordable Housing Trust 1,392 \$ 318,857

Payments to Fiscal Court:

Tangible Personal Property Tax 33,912

Delinquent Tax 2,496

Deed Transfer Tax 3,598 40,006

Payments to Other Districts:

Tangible Personal Property Tax 128,891

Delinquent Tax 13,926 142,817

Payments to Sheriff

2,417

Payments to County Attorney

3,653

Operating Disbursements:

Materials and Supplies-

Office Supplies 293

Other Charges-

Conventions and Travel 1,343

Refunds 2,265 3,901

Total Disbursements

\$ 511,651

ELLIOTT COUNTY  
 SHELIA BLEVINS, FORMER COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended August 10, 2016  
 (Continued)

Net Receipts	\$ 186,202
Less: Statutory Maximum	<u>47,301</u>
Excess Fees	138,901
Less: Expense Allowance	<u>2,400</u>
Excess Fees Due County for 2016	136,501
Payments to Fiscal Court - monthly	<u>126,206</u>
Balance Due Fiscal Court at Completion of Audit *	<u>\$ 10,295</u>

\*The former county clerk's statutory maximum for the period January 1, 2016 through August 10, 2016 was \$47,301. The former county clerk was paid \$48,482 statutory maximum during the period January 1, 2016 through August 10, 2016. The balance due fiscal court at completion of audit includes \$1,181 for this overpayment and \$9,114 for additional excess fees.

ELLIOTT COUNTY  
NOTES TO FINANCIAL STATEMENT

August 10, 2016

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 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 2016 services
- Reimbursements for 2016 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2016

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).

D. Fee Pooling

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

ELLIOTT COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 August 10, 2016  
 (Continued)

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

The county official and employees have 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.

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 the plan. The county's contribution rate for nonhazardous employees was 17.06 percent for the first six months and 18.68 percent for the last six months.

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 members contribute five percent of their annual creditable compensation and 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 Board 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 nonhazardous 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.

CERS also 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%

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.

ELLIOTT COUNTY  
NOTES TO FINANCIAL STATEMENT  
August 10, 2016  
(Continued)

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

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. 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.

Note 3. Deposits

The former Elliott 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, 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 former Elliott County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of August 10, 2016, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Lease Agreements

- A. The county clerk's office committed to a lease agreement for computer equipment maintenance on August 27, 2010, that was completed August 26, 2015. The agreement renews automatically for additional one year terms thereafter, unless written notice is received from either party 60 days prior to renewal date. The fiscal court makes the annual payment of \$2,209.
- B. The county clerk's office committed to a lease agreement for computer software license and service on August 27, 2010, that was completed August 26, 2015. The agreement renews automatically for additional one year terms thereafter, unless written notice is received from either party 60 days prior to renewal date. The fiscal court makes the monthly payment of \$750.

Note 5. On Behalf Payments

The Elliott County Clerk's office is required by the fiscal court to participate in a fee pooling system. Since the Elliott County Clerk is fee pooling, the Elliott County Fiscal Court pays the county clerk's statutory maximum as reflected on the Elliott County Clerk's financial statement. For the year ended August 10, 2016, the Elliott County Fiscal Court's contributions recognized by the former Elliott County Clerk included the amounts that were based on the statutory maximum as required by KRS 64.5275. The former Elliott County Clerk recognized receipts from the fiscal court and disbursements for the statutory maximum, expense allowance, and training incentive of \$50,882 (which includes the \$1,181 statutory maximum overpayment) for the period January 1, 2016 through August 10, 2016.

Note 6. Former County Clerk's Resignation

The former county clerk resigned from office on August 10, 2016. The Elliott County Judge/Executive appointed a new county clerk on August 11, 2016.

THIS PAGE LEFT BLANK INTENTIONALLY

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 Carl Fannin, Elliott County Judge/Executive  
The Honorable Shelia Blevins, Former Elliott County Clerk  
The Honorable Jennifer Carter, Elliott County Clerk  
Members of the Elliott 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 former Elliott County Clerk for the period January 1, 2016 through August 10, 2016, and the related notes to the financial statement and have issued our report thereon dated February 8, 2018. The former 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.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the former Elliott County Clerk's internal control over financial reporting (internal control) to determine the 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 former Elliott County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the former Elliott 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 2016-014 and 2016-015 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 former 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 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 Schedule of Findings and Responses as items 2016-001 through 2016-013.

**Views of Responsible Official and Planned Corrective Action**

The former Elliott County Clerk's views and planned corrective actions for the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The former Elliott County Clerk's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

**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,



Mike Harmon  
Auditor of Public Accounts

February 8, 2018

SCHEDULE OF FINDINGS AND RESPONSES

THIS PAGE LEFT BLANK INTENTIONALLY

ELLIOTT COUNTY  
SHELIA BLEVINS, FORMER COUNTY CLERK  
SCHEDULE OF FINDINGS AND RESPONSES

For The Period January 1, 2016 Through August 10, 2016

STATE LAWS AND REGULATIONS:

2016-001 The Former County Clerk Did Not Present An Annual Financial Settlement To The Fiscal Court And Did Not Pay Additional Excess Fees Of \$9,114

---

This is a repeat finding and was included in the prior year audit report as finding 2015-003. In the prior year audit, the former county clerk owed additional excess fees of \$7,208 to the fiscal court that have not been paid (see finding 2016-012).

The former county clerk did not submit an annual financial settlement to the fiscal court and did not pay \$9,114 in additional excess fees for the period January 1, 2016 through August 10, 2016. The former county clerk did not ensure an annual financial settlement was presented to the fiscal court. The former county clerk has additional excess fees owed because she failed to ensure excess fee payments were made prior to resigning from office or at any time since her resignation. Under fee pooling, the fiscal court pays for most expenses of the county clerk's office. Therefore it is important for them to know the financial condition of the county clerk's office. Without presenting an annual settlement, the fiscal court is unaware of the financial condition of the county clerk's office. Furthermore, excess fees are budgeted as income for the fiscal court, and not receiving excess fees timely impacts the fiscal court's ability to provide budgeted services, including payments of expenses of the county clerk's office. KRS 64.152(1) requires a financial settlement to be presented to the fiscal court by March 15 of each year. On February 4, 2013, the Elliott County Fiscal Court passed Ordinance FY-13-001, which requires the sheriff's office and county clerk's office to participate in fee pooling. Under fee pooling, the sheriff's office and county clerk's office pay net income (excess fees) monthly to the fiscal court, and the fiscal court pays all salaries and expenses of those offices. Net income is due no later than the tenth of the month for the preceding month. We recommend the former county clerk pay additional excess fees of \$9,114 to the fiscal court as soon as possible. We also recommend the county clerk's office submit an annual financial settlement and pay any additional excess fees due to the fiscal court by March 15 of each year.

*Former County Clerk's Response: No response provided.*

2016-002 The Former County Clerk Owes Ad Valorem Taxes Of \$13,018 To Taxing Districts For August 2016

---

The former county clerk owes ad valorem taxes of \$13,018 to taxing districts. The former county clerk resigned from office on August 10, 2016. Ad valorem tax reports for the month of August were due by September 10, 2016; however, no report was prepared and no payments were made. This amount is included as a liability of the former county clerk's 2016 fee account (see finding 2016-008).

The former county clerk failed to ensure the August ad valorem payments were made prior to resigning from office or at any time since her resignation. The taxing districts did not receive monies that were owed to them for the month of August 2016, which could have impacted their ability to meet their financial obligations. Because the monies were not distributed, we have proposed audit adjustments to the Statement of Receipts, Disbursements, and Excess Fees to include these unpaid liabilities. 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." KRS 134.815(2) states, "[a]ny county clerk who fails to pay over any taxes collected by him on motor vehicles as required by subsection (1) of this section shall be required to pay a penalty of one percent (1%) for each thirty (30) day period or fraction thereof, plus interest at the legal rate per annum of such taxes."

ELLIOTT COUNTY  
 SHELIA BLEVINS, FORMER COUNTY CLERK  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2016  
 (Continued)

STATE LAWS AND REGULATIONS: (Continued)

2016-002 The Former County Clerk Owes Ad Valorem Taxes Of \$13,018 To Taxing Districts For August 2016 (Continued)

---

We recommend the former county clerk pay the August 2016 ad valorem taxes owed as follows:

State	\$4,743	County	\$1,723
School	4,968	Health	352
Extension	352	Ambulance	880

We also recommend the county clerk's office perform the ad valorem tax reporting duties as stated in KRS 134.815.

*Former County Clerk's Response: These Ad Valorem payments will be made.*

2016-003 The Former County Clerk Owes Delinquent Taxes Of \$2,035 To Taxing Districts, The County Attorney, And The Sheriff For August 2016

---

This is a repeat finding and was included in the prior year audit report as finding 2015-004. In the prior year, the former county clerk owed \$3,958 of delinquent taxes to taxing districts, the county attorney, and the sheriff that have not been paid (see finding 2016-012).

The former county clerk owes delinquent taxes of \$2,035 to taxing districts, the county attorney, and the sheriff for August 2016. The former county clerk resigned from office on August 10, 2016. Delinquent tax reports for the month of August were due by September 10, 2016, however no report was prepared and no payments were made. This amount is included as a liability of the former county clerk's 2016 fee account (see finding 2016-008).

The former county clerk failed ensure the August delinquent tax payments were made prior to resigning from office or at any time since her resignation. The taxing districts, county attorney, and sheriff did not receive monies that were owed to them for the month of August 2016, which could have impacted their ability to meet their financial obligations. Because the monies were not distributed, we have proposed audit adjustments to the Statement of Receipts, Disbursements, and Excess Fees to include these unpaid liabilities. KRS 134.126 describes the duties of the clerk regarding certificates of delinquency. Those duties require the county clerk to report and pay delinquent taxes by the tenth day of each month and allocate payments among the entities entitled to a payment.

We recommend the former county clerk pay the August 2016 delinquent taxes owed as follows:

State	\$ 205	County	\$ 219
School	700	Health	67
Extension	117	Ambulance	168
Soil Conservation	89	County Attorney	282
Sheriff	188		

We also recommend the county clerk's office perform the delinquent tax reporting duties as stated in KRS 134.126.

*Former County Clerk's Response: These Delinquent Property Taxes will be paid.*

ELLIOTT COUNTY  
 SHELIA BLEVINS, FORMER COUNTY CLERK  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2016  
 (Continued)

STATE LAWS AND REGULATIONS: (Continued)

2016-004 The Former County Clerk Owes Deed Transfer Taxes Of \$705 To The Fiscal Court

---

The former county clerk owes deed transfer taxes of \$705 to the fiscal court for July 2016 and August 2016. The former county clerk resigned from office on August 10, 2016. The deed transfer tax payment for July and August was due in October 2016, however no payment was made. This amount has been included as a liability of the former county clerk's 2016 fee account (see finding 2016-008).

The former county clerk did not ensure deed transfer tax payments were made timely. The fiscal court did not receive revenues in a timely manner, which potentially impacted its ability to meet its financial obligations. Deed transfer taxes are budgeted as income for the fiscal court, and not receiving deed transfer taxes timely impacts the fiscal court's ability to provide budgeted services, including paying expenses of the county clerk's office. KRS 142.050(4) requires the county clerk to remit the deed transfer tax every three months to the county treasurer. We recommend the former county clerk pay the July 2016 and August 2016 deed transfer taxes. We also recommend the county clerk's office remit deed transfer tax payments timely to the fiscal court.

*Former County Clerk's Response: Deed Transfer Taxes will be paid to the Fiscal Court.*

2016-005 The Former County Clerk Was Overpaid Statutory Maximum Salary Of \$1,181

---

The former county clerk received statutory maximum salary of \$48,482 for service as county clerk for the period January 1, 2016 through August 10, 2016. However, the former county clerk was due statutory maximum salary of \$47,301, resulting in a total overpayment of \$1,181. The fiscal court is responsible for paying employees of the county clerk's office under the fee pooling resolution.

The overpayment was caused by the following:

- The former county clerk was paid bi-weekly, which caused her salary paid to be \$288 higher than what she had actually earned through August 10, 2016.
- The former county clerk was given a final salary payment of \$893 on August 23, 2016, which was not actually owed.

The overpayment of the former county clerk's statutory maximum salary means the fiscal court has spent more funds than necessary, which reduces the funds available for other uses. KRS 64.5275 established the maximum salary schedule for county clerks. The schedule is adjusted annually for increases in the Consumer Price Index. The former county clerk's maximum salary for calendar year 2016 was set at \$77,402. However, the clerk resigned on August 10, 2016, which reduced her salary to \$47,301. We recommend the former county clerk reimburse the fiscal court for the \$1,181 overpayment of her statutory maximum salary for the period January 1, 2016 through August 10, 2016. This overpayment has been included in the balance due fiscal court at completion of the audit on the financial statement.

*Former County Clerk's Response: Former Clerk will be paying back the over payment from personal funds.*

ELLIOTT COUNTY  
SHELIA BLEVINS, FORMER COUNTY CLERK  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended December 31, 2016  
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

2016-006 The Former County Clerk Did Not Deposit The Election Commissioner Payment To The Fee Account

---

This is a repeat finding and was included in the prior year audit report as finding 2015-006. The prior year finding has not been resolved (see finding 2016-012).

The fiscal court paid the former county clerk \$115 for the former county clerk's required service as an election commissioner on the county's board of elections. The former county clerk did not deposit the election commissioner payment to the fee account. The former county clerk did not ensure this payment was deposited to the fee account. The former county clerk has received income in excess of her authorized salary and deprived the county clerk's office of income. KRS 64.5275 allows county clerks to be paid only the statutory maximum and training incentive. KRS 64.017 allows county clerks to be paid an expense allowance. These three items are the only compensation allowed to county clerks. Payments for serving on the county board of elections per KRS 117.035 are considered fees of the county clerk's office. We recommend the former county clerk deposit \$115 from personal funds to the 2016 fee account to reimburse for the election commission payment. This amount has been included in the 2016 excess fees calculation.

*Former County Clerk's Response: Election Commissioner payment will be paid into the fee account.*

2016-007 The Former County Clerk Overpaid The Usage Tax Account By \$1,229

---

This is a repeat finding and was included in the prior year audit report as finding 2015-007. In the prior year, the former county clerk overpaid the usage tax account and this issue has not been resolved (see finding 2016-012).

The former county clerk overpaid the usage tax account by \$1,229 during calendar year 2016. The reconciled balance of the usage tax account as of the former county clerk's resignation on August 10, 2016, was \$5,793. Due to a misunderstanding, the current county clerk used the funds in the former county clerk's usage tax account to pay her usage tax liabilities until there were no funds remaining. The current county clerk corrected this error by depositing \$5,793 to the former county clerk's 2016 fee account. Of this balance, \$4,564 was owed to the former county clerk's 2015 fee account and \$1,229 was owed to the former county clerk's 2016 fee account. The former county clerk was not reconciling her usage tax account. Reconciliation of the usage account would have allowed these overpayments to be corrected timely. Overpaying the usage tax account causes excess fees to be underpaid. Not reconciling the usage account allows for errors to not be detected and resolved timely. Auditors compared the daily payments made from the 2016 fee account to what was actually owed to the usage tax account. The \$1,229 overpayment was the result of numerous daily payment errors. These errors were found by the auditors and not the former county clerk, which indicates the former county clerk was not reconciling the usage tax account. We recommend the former county clerk transfer \$4,564 from her 2016 fee account to the 2015 fee account in order to be able to pay all liabilities of the 2015 fee account, and retain \$1,229 in the 2016 fee account. We also recommend the county clerk's office reconcile the usage tax account at least monthly in order to prevent these types of errors to occur and remain undetected.

*Former County Clerk's Response: Overpayment of usage will be paid to the Fiscal Court.*



ELLIOTT COUNTY  
 SHELIA BLEVINS, FORMER COUNTY CLERK  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2016  
 (Continued)

STATE LAWS AND REGULATIONS: (Continued)

2016-008 The Former County Clerk Has Uncollected Receivables And Unpaid Liabilities In The 2016 Fee Account

---

This is a repeat finding and was included in the prior year audit report as finding 2015-008. In the prior audit, the former county clerk had uncollected receivables and unpaid liabilities that have not been resolved (see finding 2016-012).

The former county clerk needs to collect receivables and pay liabilities in order to settle the 2016 fee account.

The former county clerk did not settle her 2016 fee account prior to or at any time since her resignation on August 10, 2016. As a result of not settling the 2016 fee account, the former county clerk still needs to collect receivables and pay liabilities. Taxing districts and other agencies have been deprived of income, which may have created a financial burden for them.

The former county clerk needs to deposit personal funds in the following amounts:

Former county clerk's statutory maximum salary overpayment (see finding 2016-005)	\$ 1,181
Former county clerk's personal funds for election commissioner payment (see finding 2016-006)	115

The former county clerk needs to pay the following amounts:

Excess fees to the fiscal court (see finding 2016-001)	9,114
Ad valorem taxes owed to taxing districts (see finding 2016-002)	13,018
Delinquent taxes owed to taxing districts, county attorney, and sheriff (see finding 2016-003)	2,035
Deed transfer taxes to the fiscal court (see finding 2016-004)	705
Statutory maximum salary overpayment owed to the fiscal court (see finding 2016-005)	1,181
Usage taxes owed to 2015 fee account (see finding 2016-007)	4,564

Each comment referenced above contains additional criteria used to determine the receivables and liabilities and provides a detailed explanation of the finding. We recommend the former county clerk collect receivables and pay liabilities as detailed above. Currently, the bank account balance is \$29,321. Once the former county clerk deposits personal funds of \$1,296 and pays all of the liabilities of the 2016 fee account, the bank balance will be \$0.

*Former County Clerk's Response: These liabilities will be paid.*

2016-009 The Former County Clerk's Bond Did Not Meet The Requirements Of KRS 62.055

---

This is a repeat finding and was included in the prior year audit report as finding 2015-010.

The former county clerk's bond did not meet the requirements of KRS 62.055. KRS 62.055 requires the county clerk's bond to be at least \$100,000. The former county clerk obtained a bond in the amount of \$50,000. The former county clerk and the fiscal court did not ensure that the bond met the requirements of KRS 62.055. Funds of the county clerk's office are at risk when the bond coverage is not obtained at the required amount. KRS 62.055(2) states, in part, "the amount of the county clerk's bond shall be at least one hundred thousand dollars (\$100,000). KRS 62.055(3) states "[t]he bond of the county clerk shall be examined and approved by the fiscal court, which shall record the approval in its minutes."

ELLIOTT COUNTY  
 SHELIA BLEVINS, FORMER COUNTY CLERK  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2016  
 (Continued)

STATE LAWS AND REGULATIONS: (Continued)

2016-009 The Former County Clerk's Bond Did Not Meet The Requirements Of KRS 62.055 (Continued)

We recommend the current county clerk obtain a bond of at least \$100,000 to comply with KRS 62.055. We also recommend the fiscal court review bond coverage for the current county clerk.

*Former County Clerk's Response: No response provided.*

2016-010 The Former County Clerk Did Not Make Timely Excess Fees Payments To The Fiscal Court

This is a repeat finding and was included in the prior year audit report as finding 2015-012.

All of the former county clerk's excess fees payments were paid late to the fiscal court. The excess fees payments made for January through June ranged from one day to 21 days late. July and August payments were not paid and are reported as liabilities of the fee account (see finding 2016-001). The former county clerk did not ensure excess fees payments were made timely. As a result, the fiscal court did not receive much needed revenues in a timely manner, which impacted its ability to meet its financial obligations. Excess fees are budgeted as income for the fiscal court, and not receiving excess fees timely impacts the fiscal court's ability to provide budgeted services, including paying expenses of the county clerk's office. On February 4, 2013, the Elliott County Fiscal Court passed Ordinance FY-13-001, which requires the sheriff's office and county clerk's office to participate in fee pooling. Under fee pooling, the sheriff's office and county clerk's office pay net income (excess fees) monthly to the fiscal court, and the fiscal court pays all salaries and expenses of those offices. Net income is due no later than the tenth of the month for the preceding month. We recommend the county clerk's office remit monthly excess fee payments to the fiscal court by the tenth of the following month.

*Former County Clerk's Response: No response provided.*

2016-011 The Second And Third Quarterly Financial Reports Were Not Submitted To The Department For Local Government

This is a repeat finding and was included in the prior year audit report as finding 2015-013.

The second and third quarterly financial reports were not submitted to the Department For Local Government (DLG). The former county clerk resigned from office on August 10, 2016. Therefore, the third quarterly report would serve as the former county clerk's final quarterly report. The former county clerk did not ensure that she or her staff submitted the quarterly reports to DLG. As a result, the former county clerk's financial condition was not known to the state local finance officer and DLG. This was especially important because of the former county clerk's resignation from office. KRS 68.210 authorizes the state local finance officer to require officials from local governments to submit financial reports. Quarterly reports are to be submitted by the 20th day following the close of the quarter in order to satisfy this requirement. We recommend the county clerk's office ensure quarterly reports are prepared and submitted by the 20th of each month following the close of the quarter.

*Former County Clerk's Response: No response provided.*

ELLIOTT COUNTY  
 SHELIA BLEVINS, FORMER COUNTY CLERK  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2016  
 (Continued)

STATE LAWS AND REGULATIONS: (Continued)

2016-012 The Former County Clerk Has Uncollected Receivables And Unpaid Liabilities In The 2015 Fee Account

---

This is a repeat finding and was included in the prior year audit report as finding 2015-008.

The former county clerk needs to collect receivables and pay liabilities in order to settle the 2015 fee account. The former county clerk also has two stale dated outstanding checks totaling \$1,096 that should be escrowed until the checks clear the bank. The former county clerk did not properly account for receipts and disbursements of the 2015 fee account.

The former county clerk needs to collect the following amounts:

Former county clerk's personal funds for election commissioner payment	\$ 115
Former county clerk's personal funds for disallowed disbursements	302
Overpayment from usage tax account	4,564

The former county clerk needs to pay the following amounts:

Delinquent taxes owed to various agencies	2,866
Excess fees to the fiscal court	7,208

Currently, the bank account balance is \$0. However, there are two outstanding checks totaling \$1,096 (\$1,092 July delinquent tax to county attorney and \$4 refund to a taxpayer) that would cause the account to be overdrawn if cashed. The outstanding checks represent obligations owed by the county clerk's office, and as such, cannot be written off. The two outstanding checks, combined with the receivables and liabilities listed above, indicates a deficit of \$6,189. The outstanding checks can be re-issued, but if they do not clear the bank within a reasonable amount of time, the funds should be escrowed and held for three years. If after three years the funds are still unclaimed, the funds should be turned over to the state treasury as property assumed abandoned per KRS 393.090 and KRS 393.110. We recommend the former county clerk collect receivables and pay liabilities of the 2015 fee account as detailed above, and escrow any checks still outstanding after a reasonable amount of time.

*Former County Clerk's Response: These liabilities will be taken care of.*

2016-013 The Former County Clerk Did Not Prepare Form 1099s For Contract Labor In Calendar Years 2012 and 2013

---

This is a repeat finding and was included in the prior year audit report as finding 2015-016.

The former county clerk did not prepare and distribute a Form 1099 to her daughter for scanning and indexing work performed during calendar years 2012 and 2013. The former county clerk's daughter was paid \$3,552 in calendar year 2012 and \$5,380 in calendar year 2013 as part of a Department for Libraries and Archives grant. The former county clerk did not have policies and procedures in place to ensure contract labor was reported appropriately. The former county clerk's daughter's wages were not properly reported to the appropriate agencies so that taxes could be paid if owed. Department for Libraries and Archives scanning and indexing grants are required to be spent as contract labor. The former county clerk agreed to this when the grant agreement was signed. The former county clerk was responsible for reporting contract labor payments to the appropriate

ELLIOTT COUNTY  
 SHELIA BLEVINS, FORMER COUNTY CLERK  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2016  
 (Continued)

STATE LAWS AND REGULATIONS: (Continued)

2016-013 The Former County Clerk Did Not Prepare Form 1099s For Contract Labor In Calendar Years 2012 and 2013 (Continued)

---

agencies in a timely manner. The Internal Revenue Service requires the Form 1099 to be issued to individual contractors for services resulting in income of \$600 or more during a calendar year.

We recommend the former county clerk prepare and provide a Form 1099 to the contract labor employee for calendar years 2012 and 2013, and submit corrected Form 1096 to the IRS for calendar years 2012 and 2013. We also recommend the county clerk's office ensure Form 1099 is prepared and provided to any contract labor employee when Department for Libraries and Archives grants are received.

*Former County Clerk's Response: No response provided.*

INTERNAL CONTROL - MATERIAL WEAKNESSES:

2016-014 The Former County Clerk Did Not Prepare An Accurate Receipts Ledger, Disbursements Ledger, Or Third Quarter Report

---

This is a repeat finding and was included in the prior year audit report as finding 2015-014.

The former county clerk's receipts ledger, disbursements ledger, and third quarter report were not accurate. Numerous adjustments were proposed to present accurate information in the report for the audited financial statement. The former county clerk did not ensure that accurate financial information was prepared and provided to auditors. Errors in financial reporting are costly for the official and bring into question the qualifications of those preparing the information. Errors can be corrected; however, there is typically a significant amount of time that passes before that occurs, which could create budgeting difficulties for the fiscal court and other agencies that receive payments from the county clerk's office. KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The uniform system of accounts as described in *The County Budget Preparation and State Local Finance Officer Policy Manual*, requires the county clerk to maintain accurate receipts and disbursements ledgers, and prepare a quarterly report which includes all receipts collected and disbursements paid during the calendar year. We recommend the county clerk's office ensure all financial information is reported accurately.

*Former County Clerk's Response: No response provided.*

2016-015 The Former County Clerk's Office Lacked 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 2015-015.

The former county clerk's office was structured so that the former county clerk or her chief deputy maintained control of daily deposits, posting to receipts and disbursements ledgers, writing checks, preparing monthly and annual reports, and reconciling bank accounts. Other employees who worked in the office handled transactions with customers only. The former county clerk did not structure her office in a way that segregates duties and responsibilities. No one reviewed the work of the former county clerk and there were no compensating controls in place. Without adequately segregated duties and internal controls in place, there is no way to document that the fee account financial information is accurate. By not segregating duties, there is an increased risk of

ELLIOTT COUNTY  
SHELIA BLEVINS, FORMER COUNTY CLERK  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended December 31, 2016  
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES: (Continued)

2016-015 The Former County Clerk's office Lacked Adequate Segregation Of Duties And Internal Controls Over Fee Receipts And Disbursements (Continued)

---

undetected misappropriation of assets either by error or fraud. Internal controls and proper segregation of duties protects employees and the county clerk in the normal course of performing their daily responsibilities. Good internal controls dictate the same employee should not receive payments, prepare deposits, and post to the receipts ledger. The same employee should not prepare monthly reports, sign checks, and post to the disbursements ledger. And the same employee should not deposit funds, sign checks, post to ledgers, and prepare bank reconciliations and monthly reports. We recommend the county clerk's office adequately segregate duties and implement internal controls. Employees receiving payments and preparing deposits should not be posting to the receipts ledger and preparing bank reconciliations. Employees preparing and signing checks should not be posting to the disbursements ledger and preparing bank reconciliations. A proper segregation of duties may not be possible with a limited number of employees, and in that case, the county clerk 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. The county clerk could also choose to prepare the bank reconciliations and other reports herself. Further, the county clerk could require dual signatures on all checks, with one signature being the county clerk's.

*Former County Clerk's Response: No response provided.*