



Auditor of Public Accounts Allison Ball

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Ball Releases Audit of Former Owsley County Clerk's Fee Account

FRANKFORT, Ky. – State Auditor Allison Ball released the audit of the 2022 financial statement of Former Owsley County Clerk Shanna Oliver. State law requires the auditor to conduct annual audits of county clerks and sheriffs.

Auditing standards require the auditor's letter to communicate whether the financial statement presents fairly the receipts, disbursements, and excess fees of the Former Owsley County Clerk in accordance with accounting principles generally accepted in the United States of America. The clerk's financial statement did not follow this format. However, the clerk's financial statement is fairly presented in conformity with the regulatory basis of accounting, which is an acceptable reporting methodology. This reporting methodology is followed for all 120 clerk audits in Kentucky.

The audit contains the following findings:

The former Owsley County Clerk's internal control system was severely deficient and lacked adequate segregation of duties: For a portion of the calendar year, the former county clerk was the only full-time employee and was solely responsible for receiving and disbursing funds, posting to the receipt and disbursement ledgers, reconciling accounts, and report preparation. Weak internal controls led to undeposited receipts, late payments, and untimely reporting. Furthermore, the former Owsley County Clerk was indicted on January 2024 and resigned from office on March 31, 2024. On April 12, 2024, the former county clerk pled guilty to misuse of confidential information and official misconduct.

The former Owsley County Clerk's office should have implemented a strong internal control system to ensure all financial reporting was complete, accurate, and properly recorded. The former Owsley County Clerk should have implemented policies and procedures to ensure compliance with applicable statutes, regulations, and policies.

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

The former Owsley County Clerk did not comply with the Department for Local Government (DLG) requirements regarding approval and submission of quarterly financial report and annual settlement: The former county clerk has not submitted her quarterly reports or annual settlement to the fiscal court for the calendar year ending December 31, 2022, nor has she submitted the quarterly financial reports and annual settlement to DLG as required.

The former county clerk should have complied with applicable statutes and the DLG manual by submitting her quarterly financial reports and annual settlement to DLG as required. In addition, the former county clerk should have submitted her annual settlement to the fiscal court no later than March 15.

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

The former Owsley County Clerk did not remit fees in compliance with Kentucky Revised Statutes: During 2022, it was noted that the payments and reports for the following items were not remitted in compliance with the corresponding KRS: Ad Valorem Tax, Delinquent Tax, Legal Processing receipts, and Affordable Housing Trust Fund receipts.

The former county clerk should have remitted funds timely to ensure compliance with all Kentucky Revised Statutes to prevent penalties and interest payments that could be due from late payments.

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

The former Owsley County Clerk owes various state agencies for taxes, interest, fees, and penalties due: Per a recap of bills still outstanding, the former county clerk owes the following amounts to various state agencies: \$28,077 in taxes due, \$11,891 in interest due, \$5,337 in fees due, and \$22,183 in penalties due. These amounts were determined to include usage tax penalties and interest; affordable housing interest; withholdings taxes, penalties, interest, and fees; and administrative/court fees. The former county clerk received numerous delays of payment correspondences from the state dating back to 2013 through 2019. The total due to the state in taxes, interest, fees, and penalties is \$67,488. As determined in Funk v. Milliken, these are not allowable office expenses so the county clerk would be personally responsible.

The former county clerk should have strengthened internal controls over the tax payment process to ensure all tax payments were remitted. Also, the former county clerk should work with state agencies to settle the tax amounts due and deposit personal funds of \$39,411 to pay for the disallowed fees, penalties, and interest charged on late payments.

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

The former Owsley County Clerk did not submit her title applications timely: The former county clerk is required to submit a title application and supporting documentation for customers to the Department of Transportation to receive a first-time title. However, based on a report received from the Department of Transportation, the former county clerk did not submit the title application and supporting documentation timely. As of December 31, 2022, the former county clerk has 50 transmittals due for calendar year 2022. Additionally, it was noted that no transmittals for calendar year 2023 had been filed which totaled 372 transmittals still due for 2023.

The former county clerk should have complied with KRS 186A.165 regarding timely transmittals of application of registration. Furthermore, the former county clerk should have developed a plan to remit the past due transmittal reports.

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

The former Owsley County Clerk did not prepare franchise tax bills promptly: The former county clerk received 16 notifications from the Department of Revenue regarding certifications for 2022 franchise bills. All 16 notifications were not billed and turned over to the sheriff in a timely manner.

The former county clerk should have ensured franchise tax bills were prepared promptly after receiving assessment certifications from the Department of Revenue. When these certifications were received by the former county clerk, a franchise property tax bill should have been generated as soon as possible.

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

The former Owsley County Clerk did not deposit funds timely:

The former county clerk did not deposit daily and did not process receipts timely. During our testing of daily receipts for the period of September 5, 2022, through September 11, 2022, the following issues were noted:

- No deposit noted for Monday, September 5, 2022.
- September 6, 2022, receipts included payments with dates from August 4, 2022, through August 26, 2022.
- September 7, 2022, receipts included payments with dates from August 31, 2022, through September 6, 2022.
- September 8, 2022, receipts included payments with dates from July 11, 2022, through September 7, 2022.
- September 9, 2022, receipts included payments with dates from August 31, 2022, through September 8, 2022.
- September 10, 2022, receipts included payments with dates from September 7, 2022, through September 9, 2022.

Furthermore, we also noted various cash/checks for customers stapled to previous years' work that appear to have never been deposited into any of the former county clerk's accounts.

The former county clerk should have complied with KRS 68.210 regarding deposits. The former county clerk should have ensured all payments were deposited timely by establishing effective internal controls over receipts and deposits.

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

The county clerk's responsibilities include collecting certain taxes, issuing licenses, maintaining county records and providing other services. The clerk's office is funded through statutory fees collected in conjunction with these duties.

The audit report can be found on the [auditor's website](#).

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