

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

**For The Year Ended
December 31, 2023**



**ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS
auditor.ky.gov**

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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

The Honorable Zeke Little, Jr., Owsley County Judge/Executive
The Honorable Shanna Oliver, Former Owsley County Clerk
The Honorable Austin Bowling, Owsley County Clerk
Members of the Owsley County Fiscal Court

Report on the Audit of the Financial Statement

Disclaimer of Opinion

We were engaged to audit the accompanying Fourth Quarter Financial Statement of the former County Clerk of Owsley County, Kentucky, for the year ended December 31, 2023, and the related notes to the financial statement.

We do not express an opinion on the accompanying Fourth Quarter Financial Statement of the former Owsley County Clerk. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient audit evidence to provide a basis for an audit opinion on the financial statements.

Basis for Disclaimer of Opinion

Our basis for disclaiming is that the former county clerk's internal control system was severely deficient, which led to receipts to go undeposited, disbursements to not be paid timely, and reports not submitted properly. This provided an environment in which an individual could manipulate financial records and misappropriate or misdirect funds. Due to the issues noted, we were unable to place appropriate reliance on the information provided during the audit, therefore, we cannot reduce the audit risk to an acceptable level.

Responsibilities of Management for the Financial Statement

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

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Owsley County Clerk's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



The Honorable Zeke Little Jr., Owsley County Judge/Executive
 The Honorable Shanna Oliver, Former Owsley County Clerk
 The Honorable Austin Bowling, Owsley County Clerk
 Members of the Owsley County Fiscal Court

Auditor's Responsibility for the Audit of the Financial Statement

Our responsibility is to conduct an audit of the former Owsley County Clerk's financial statements in accordance with auditing standards generally accepted in the United State of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Controller General of the United States, and the *Audit Program for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky and to issue an auditor's reports. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are required to be independent of the former Owsley County Clerk and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements to our audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2024, on our consideration of the former 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the former Owsley County Clerk's internal control over financial reporting and compliance.

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

- 2023-001 The Former Owsley County Clerk's Internal Control System Was Severely Deficient And Lacked Adequate Segregation Of Duties
- 2023-002 The Former Owsley County Clerk Did Not Comply With Department For Local Government (DLG) Requirements Regarding Approval And Submission Of Quarterly Financial Reports And Annual Settlement
- 2023-003 The Former Owsley County Clerk Did Not Remit Fees In Compliance With Kentucky Revised Statutes
- 2023-004 The Former Owsley County Clerk Owes Various State Agencies For Taxes, Interest, Fees, And Penalties Due
- 2023-005 The Former Owsley County Clerk Did Not Submit Title Applications Timely
- 2023-006 The Former Owsley County Clerk Did Not Prepare Franchise Tax Bills Promptly
- 2023-007 The Former Owsley County Clerk Did Not Deposit Funds Timely

Respectfully submitted,



Allison Ball
 Auditor of Public Accounts
 Frankfort, KY

August 29, 2024

OWSLEY COUNTY
 SHANNA OLIVER, FORMER COUNTY CLERK
FOURTH QUARTER FINANCIAL STATEMENT

For The Year Ended December 31, 2023

IF 1142.001 Rev. 10/09

Form For Budget, Cumulative Quarterly Report and Annual Settlement For Calendar Year 2023

Owsley County Clerk

Part One - Summary and Reconciliation of All Accounts

Show & Describe All Accounts	Column 1	Column 2	Column 3	Column 4	Column 5
	2023 Fee Account Budget Estimate	2023 Fee Account Cumulative Actual	Account (NOT FEE ACCOUNT)	Account (NOT FEE ACCOUNT)	Account (NOT FEE ACCOUNT)
1. Receipts YTD	\$1,051,083.00	\$850,818.56			
2. Total Disbursements YTD	\$1,050,107.50	\$871,661.72			
3. Book Balance/Excess Fees	\$20,975.50	(\$20,843.16)			
4. Bank Statement Balance		\$49,063.77			
5. Plus Deposits in Transit					
6. Less Outstanding Checks					
7. Other		\$3,248.21			
8. Reconciled Bank Balance		\$52,311.98			
9. Accounts Receivable as of 12/31					
10. Unpaid Obligations as of 12/31					
11. Excess Fees		(\$20,843.16)			

Instructions: This form is the required format for the budget and the quarterly report. BUDGET: After completing the budget estimate columns of Parts One, Two and Three, submit to the fiscal court for approval by January 15th and following approval submit to the state local finance officer. QUARTERLY REPORT: The quarterly report is cumulative. Show the status of all funds in the official's charge during calendar year to date in Part One. Line 1. Show total receipts on a cash basis for the year to date including any beginning balances for all accounts. Show current year fee account in COLUMN 2 as calculated in Part Two of report. Line 2. Show total disbursements on a cash basis for the year to date for all accounts. Show current year fee account in COLUMN 2 as calculated in Part Three of report. Line 3. Show difference between lines 1 and 2 for all accounts. Line 4. Show bank statement balance(s) at close of quarter. Line 5. Show total deposits made prior to close of quarter that are not reflected in bank statement(s). Line 6. Show total amount of checks issued prior to close of quarter that are not reflected in bank statement(s). Line 7. Show investments. Line 8. Show line 4 adjusted for lines 5, 6, and 7. Line 8 should equal line 3 for all accounts. Line 9. Complete for quarter ending 12/31. Show calculation in Part Two of report. Line 10. Complete for quarter ending 12/31. Show calculation in Part Three of report. Line 11. Complete for quarter ending 12/31. Show line 8 adjusted for lines 9 and 10. All debt to be shown in Part Four. Report due to: State Local Finance Officer, 100 Airport Road, Third Floor Frankfort, KY 40601 by the 30th day following the close of each quarter. Fax # 502-227-8691 / Ph # 502-892-3487.

Approved by the fiscal court on the _____ day of _____, 202__.

To the best of my knowledge the information reported herein for the budget/quarter ended _____ is accurate and complete.

 County Judge/Executive Date

 Signature of County Clerk Date

OWSLEY COUNTY
 SHANNA OLIVER, FORMER COUNTY CLERK
 FOURTH QUARTER FINANCIAL STATEMENT
 For The Year Ended December 31, 2023
 (Continued)

IF 1142.002 Rev. 11/0/09

Part Two Receipts	Budget Estimate	1/1 thru 5/31	4/1 thru 6/30	7/1 thru 9/30	10/1 thru 12/31	Total YTD	Accounts Receivable 12/31	Settlement Total
1. Federal Grants/Reimbursements								
2. State Grants								
3. State Fees For Services/SBOE	\$1,500.00				\$1,705.63	\$1,705.63		
4. Fiscal Court								
5. Revenue Supplement (< 20,000 pop)	\$72,000.00	\$69,995.31				\$69,995.31		
6. Licenses and Taxes								
7. Motor Vehicle:								
8. Licenses and Transfers	\$165,000.00	\$50,290.33	\$39,706.20	\$29,545.95	\$26,633.75	\$146,176.23		
9. Usage Tax	\$185,000.00	\$48,427.11	\$51,754.34	\$27,806.90	\$32,702.13	\$160,690.48		
10. Tangible Personal Property Tax	\$380,000.00	\$113,050.83	\$87,221.76	\$79,455.86	\$75,376.05	\$355,104.50		
11. Notary Fees	\$200.00							
12. Clerk Lien	\$5,000.00	\$1,158.00	\$1,184.00	\$900.00	\$1,076.00	\$4,318.00		
13. Licenses: (describe)								
14. Fish and Game								
15. Marriage	\$1,680.00	\$200.00	\$300.00	\$500.00		\$1,000.00		
16. Occupational								
17. Beer & Liquor								
18. Miscellaneous	\$15,000.00				\$30.00	\$30.00		
19. Deputy Clerk Reimbursement (FC)								
20. Deed Transfer Tax	\$12,000.00	\$714.00	\$1,811.50	\$998.00	\$2,651.50	\$6,175.00		
21. Delinquent Taxes	\$150,000.00	\$5,551.12	\$11,815.04	\$16,113.75	\$32,803.39	\$66,283.28		
22. Fees Collected for Services								
23. Recordings:/Document Storage Fee	\$7,500.00							
24. Deeds, Easements, and Contracts	\$15,000.00	\$3,041.00	\$3,817.00	\$2,672.00	\$3,769.00	\$13,299.00		
25. Real Estate Mortgages	\$8,050.00	\$686.00	\$1,809.00	\$720.00	\$2,503.00	\$5,718.00		
26. Chattel Mortgages & Financing S	\$14,000.00	\$2,411.00	\$2,487.00	\$2,526.00	\$2,838.00	\$10,262.00		
27. Powers of Attorney	\$1,250.00	\$200.00	\$100.00	\$100.00	\$268.00	\$668.00		
28. All Other Recordings	\$9,500.00	\$1,439.00	\$2,314.00	\$1,893.00	\$2,073.00	\$7,719.00		
29. Charges for Other Services:								
30. Copywork	\$1,000.00	\$16.15	\$27.19	\$18.55	\$26.10	\$87.99		
31. Postage	\$700.00	\$71.40	\$38.60	\$42.00	\$45.68	\$197.68		
Part Two (continued) Receipts	Budget Estimate	1/1 thru 5/31	4/1 thru 6/30	7/1 thru 9/30	10/1 thru 12/31	Total YTD	Accounts Receivable 12/31	Settlement Total
32. Other: (describe) FRIC Capital Credit	\$200.00				\$115.21	\$115.21		
33. Candidate Filing Fee	\$1,200.00				\$50.00	\$50.00		
34. Delinquent Tax Registration Fee	\$500.00				\$10.00	\$10.00		
35. Notary Bond/Oath	\$703.00	\$114.00	\$95.00	\$57.00	\$19.00	\$285.00		
36. Prior Year Collections	\$300.00			\$150.09		\$150.09		
37. Refund	\$3,000.00	\$416.00	\$79.32	\$35.20	\$201.97	\$732.49		
38. Interest Earned	\$300.00	\$7.29	\$17.80	\$12.12	\$8.46	\$45.67		
39. Total Revenues	\$1,051,083.00	\$297,788.54	\$204,577.75	\$163,546.40	\$184,905.87	\$850,818.56		
40. Petty Cash								
41. Borrowed Money								

County Clerk's Budget and Report

All Accounts

OWSLEY COUNTY
 SHANNA OLIVER, FORMER COUNTY CLERK
 FOURTH QUARTER FINANCIAL STATEMENT
 For The Year Ended December 31, 2023
 (Continued)

IF 1142.008 Rev. 11/0/09

42. Total Receipts	\$1,051,083.00	\$297,788.54	\$204,577.75	\$163,546.40	\$184,905.87	\$650,818.56		
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Copy the figures shown on line 40 in the Budget Estimate column to the Summary on page 1, column 1, line 1. Copy the figures shown on line 40 in the Total YTD column to page 1, column 2, line 1. Copy the figures shown on line 39 in the Receivable column (use for 12/31 report only) to page 1, line 9.

Part Three Disbursements	Budget Estimate	1/1 thru 5/31	4/1 thru 6/30	7/1 thru 9/30	10/1 thru 12/31	Total YTD	12/31 Unpaid Obligations	Settlement Total
Required Payments								
1. Payments to State (describe)								
2. Motor Vehicle:								
3. Licenses & Transfers	\$140,000.00	\$24,544.07	\$39,356.98	\$22,276.21	\$19,742.47	\$105,919.73		
4. Usage Tax	\$150,500.00	\$47,230.34	\$45,468.08	\$35,258.46	\$31,658.00	\$159,614.88		
5. Tangible Personal Prop Tax	\$125,000.00	\$25,198.67	\$42,524.57	\$26,155.45	\$45,877.21	\$137,758.90		
6. Licenses: (describe)								
7. Fish & Game								
8. Marriage Licenses (Included in Legal Process Tax)								
9.								
10. Delinquent Tax	\$10,000.00	\$124.84	\$880.70	\$886.58	\$1,936.96	\$3,828.88		
11. Legal Process Tax	\$5,000.00	\$487.87	\$861.49	\$804.19		\$2,153.55		
12. Other Services/Affordable Housing	\$4,000.00	\$480.00	\$660.00	\$702.00		\$1,842.00		
15. Payments to Fiscal Court (describe)								
14. Tangible Personal Property Tax	\$35,000.00	\$5,776.39	\$12,380.01	\$7,701.20	\$14,241.75	\$40,099.35		
15. Delinquent Tax	\$15,000.00	\$230.76	\$1,855.20	\$1,605.53	\$5,065.81	\$6,255.80		
16. Deed Transfer Tax	\$12,000.00	\$496.85	\$1,039.78	\$1,273.00		\$2,809.63		
17. Occupational Licenses:								
18. Beer & Liquor Licenses:								
Part Three (continued) Disbursements								
19. Fiscal Court/Tax Bill Prep								
20.								
21. Payments to Other Districts (describe)								
22. Tangible Personal Property Tax	\$150,000.00	\$27,800.42	\$58,911.64	\$36,506.94	\$67,555.63	\$190,774.63		
23. Delinquent Tax	\$60,000.00	\$1,068.43	\$8,404.22	\$8,014.07	\$22,947.98	\$40,434.70		
24.								
25. Payments to Sheriff	\$12,000.00	\$98.25	\$1,346.70	\$966.97	\$3,950.59	\$6,362.51		
26.								
27. Payments to County Attorney	\$15,000.00	\$283.36	\$1,590.07	\$1,499.04	\$6,495.70	\$9,868.17		
28. Total Required Payments	\$733,500.00	\$131,820.25	\$214,777.44	\$143,647.44	\$217,472.10	\$707,717.23		
Official Expenses								
29. Personal Services								
30. County Clerk's Gross Salary	\$90,000.00	\$13,793.00	\$20,689.50	\$24,137.75	\$31,034.25	\$89,654.50		
31. County Clerk's Retirement Match	\$24,750.00	\$3,717.20	\$5,575.80	\$6,007.18	\$7,243.39	\$22,543.57		
32. County Clerk's SS/Medicare Match	\$7,200.00	\$1,055.16	\$1,582.74	\$1,846.53	\$2,374.11	\$6,858.54		

County Clerk's Budget and Report

OWSLEY COUNTY
 SHANNA OLIVER, FORMER COUNTY CLERK
 FOURTH QUARTER FINANCIAL STATEMENT
 For The Year Ended December 31, 2023
 (Continued)

IF 1142.004 Rev. 11/0/09

33. County Clerk's Expense Allowance	\$5,600.00	\$600.00	\$900.00	\$900.00	\$1,200.00	\$5,600.00		
34. County Clerk's Expense Retirement Match	\$990.00	\$161.72	\$242.58	\$220.90	\$280.08	\$905.28		
35. County Clerk's SS/Medicare Match	\$288.00	\$45.90	\$68.85	\$68.87	\$91.84	\$275.46		
36. Deputies Gross Salaries	\$60,000.00							
37. Deputies Retirement Match	\$16,500.00							
38. Deputies SS/Medicare Match	\$4,800.00							
39. Overtime Gross	\$10,000.00							
40. Overtime Retirement Match	\$2,750.00							
41. Overtime SS/Medicare Match	\$800.00							
42.								
43.								
44.								
45. Contracted Services								
46. Fish & Game								
47. Advertising								
48. Printing & Binding								
Part Three (continued)	Budget	1/1 thru	4/1 thru	7/1 thru	10/1 thru	Total	12/31	Settlement
Disbursements	Estimate	3/31	6/30	9/30	12/31	YTD	Unpaid	Total
49.								
50.								
51. Supplies & Materials (describe)								
52. Office Supplies	\$7,000.00	\$63.60		\$63.60	\$907.42	\$1,034.62		
53. Other Charges (describe)								
54. Conventions & Travel	\$2,000.00							
55. Dues	\$1,290.00							
56. Miscellaneous/Election	\$50,000.00		\$648.95	\$25.92	\$7,295.21	\$7,970.08		
54A Miscellaneous	\$5,000.00	\$1,005.37	\$1,220.18	\$4,086.74	\$20,032.00	\$26,342.29		
54. Miscellaneous/Prior Year Collections								
55. Postage	\$2,339.50	\$240.00	\$126.00		\$152.00	\$498.00		
56. Refunds	\$3,500.00	\$416.00	\$79.32	\$72.70	\$164.47	\$732.49		
57. Telephone	\$2,000.00	\$357.26	\$366.34	\$318.05	\$328.01	\$1,369.66		
58. Debt Service (borrowed money/interest/lease/purchase)								
59. Principal on Note								
60. Interest								
60. Computer Lease	\$1,800.00				\$2,160.00	\$2,160.00		
61. Capital Outlay (straight purchase on tangible items lasting in nature)								
62. Office Equipment								
63. Vehicle								
64.								
65.								
66.								
67. Total Official Expenses	\$1,030,107.50	\$158,273.46	\$246,277.70	\$181,395.68	\$290,714.88	\$871,661.72		

County Clerk's Budget and Report

For offices that fee pool, pay fees to county prior to December 31, or counties over 70,000 in population, show payments made on lines 68 and 69.

OWSLEY COUNTY
 SHANNA OLIVER, FORMER COUNTY CLERK
 FOURTH QUARTER FINANCIAL STATEMENT
 For The Year Ended December 31, 2023
 (Continued)

LF 1142.005 Rev. 11/0/09

68. Payments to County Treasurer								
69. Payments to State Treasurer								
	Enter total of lines 28, 67, 68 and 69 on line 70							
70. Total Disbursements	\$1,050,107.50	\$155,275.46	\$246,277.70	\$181,395.68	\$290,714.88	\$871,661.72		

Copy the figures shown on line 70 in the Budget Estimate column to the Summary on page 1, column 1, line 2. Copy the figure shown on Line 70 in the Total YTD column to page 1, column 2, line 2. Copy the figure shown on line 70 in the Unpaid column (use for 12/31 report only) to page 1, line 10.

OWSLEY COUNTY
 SHANNA OLIVER, FORMER COUNTY CLERK
 FOURTH QUARTER FINANCIAL STATEMENT
 For The Year Ended December 31, 2023
 (Continued)

12/11/2006 Rev. 10/09

Part Four - Liabilities Outstanding

Form For Budget, Cumulative
 Quarterly Report and Annual
 Settlement For Calendar Year
 2021

Quarter ending _____

Multi-year Issues	Issue	Issue	Totals
Where Budgeted			
Description			
Term (# of Years)			
Current Interest Rate			
Issue Date			
Total Principal Amount			
Total Interest Amount			
Total Issue			
Principal Balance Remaining			
Interest Balance Remaining			
Less Reserve Earnings			
Net Outstanding			
Next Payment Date			
Next Payment Amount			
Final Payment Date			
Short Term Liabilities	Issue	Issue	
Where Budgeted			
Description			
Term			
Current Interest Rate			
Issue Date			
Total Principal Amount			
Total Interest Amount			
Total Issue			
Principal Balance Remaining			
Interest Balance Remaining			
Total Outstanding			
Next Payment Date			
Next Payment Amount			
Final Payment Date			
Total Outstanding Debt	<small>(If no outstanding advancements, loans, bonds, or other debt, show "0".)</small>		

Comments:

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

The Honorable Zeke Little, Jr., Owsley County Judge/Executive
The Honorable Shanna Oliver, Former Owsley County Clerk
The Honorable Austin Bowling, Owsley County Clerk
Members of the Owsley County Fiscal Court

We were engaged to 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 Program for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky, the Fourth Quarter Financial Statement of the former Owsley County Clerk for the year ended December 31, 2023, and the related notes to the financial statement and have issued our report thereon dated August 29, 2024. Our report disclaims an opinion on the financial statement because we were unable to place appropriate reliance on the information provided during the audit and, therefore, cannot reduce the audit risk to an acceptable level.

Report on Internal Control over Financial Reporting

In connection with our engagement to audit the financial statement, we considered the former 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 former Owsley County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the former Owsley County Clerk's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2023-001, 2023-002, 2023-003, 2023-004, 2023-005, 2023-006, and 2023-007 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)

Report on Compliance And Other Matters

As part of obtaining reasonable assurance about whether the former 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 2023-002, 2023-003, 2023-004, 2023-005, 2023-006, and 2023-007. Additionally, if the scope of our work had been sufficient to enable us to express an opinion on the financial statement, other instances of noncompliance or other matters may have been identified and reported herein.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, KY

August 29, 2024

SCHEDULE OF FINDINGS AND RESPONSES

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

For The Year Ended December 31, 2023

FINANCIAL STATEMENT FINDINGS:

2023-001 The Former Owsley County Clerk's Internal Control System Was Severely Deficient And Lacked Adequate Segregation Of Duties

This is a repeat finding and was included in the prior year audit report as finding 2022-001. The former Owsley County Clerk was responsible for all areas of her office with little to no controls in place. 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 in 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.

Due to the former county clerk's poor oversight and weak internal control system, undeposited receipts, and her guilty plea, we were unable to overcome the fraud risks present to provide a basis for an audit opinion on the former county clerk's financial statement.

The former county clerk failed to implement controls to correct deficiencies noted in prior year audit findings and to ensure the official duties of the office were performed. Failure to establish adequate controls and review procedures increases the risk that undetected fraud or other errors will occur. The former county clerk's internal control structure provided an environment in which an individual could manipulate financial records and misappropriate or misdirect funds. Due to the issues noted above, a disclaimer of opinion will be issued on the former county clerk's 2023 fee audit.

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires." The adequate segregation of duties is a basic internal control necessary to ensure the accuracy and reliability of financial reports and would prevent the same person from having a significant role in these incompatible functions.

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.

2023-002 The Former Owsley County Clerk Did Not Comply With Department For Local Government (DLG) Requirements Regarding Approval And Submission Of Quarterly Financial Reports And Annual Settlement

This is a repeat finding and was included in the prior year audit report as finding 2022-002. The former county clerk has not submitted her quarterly reports or annual settlement to the fiscal court for the calendar year ending December 31, 2023, nor has she submitted the quarterly financial reports and annual settlement to DLG as required.

OWSLEY COUNTY
 SHANNA OLIVER, FORMER COUNTY CLERK
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2023
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-002 The Former Owsley County Clerk Did Not Comply With Department For Local Government (DLG) Requirements Regarding Approval And Submission Of Quarterly Financial Reports And Annual Settlement (Continued)

Per the former county clerk, in the prior year, the office lost a full-time employee, and a replacement was never hired. According to the former county clerk, this put the county clerk's office behind in processing documentation timely and filing reports.

The lack of compliance with statutory and DLG reporting requirements 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 this authority, the State Local Finance Officer has prescribed minimum accounting and reporting standards in DLG's *County Budget Preparation and State Local Finance Officer Policy Manual*.

In addition, the State Local Finance Officer also required the quarterly report to be submitted to their office no later than 30 days following the close of 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, "[a]t the time of filing the statement required by subsection (1) of this section, the clerk shall pay to the fiscal court any income of his office, including income from investments, which exceeds the sum of his maximum salary as permitted by the Constitution and other reasonable expenses, including compensating of deputies and assistants."

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.

2023-003 The Former Owsley County Clerk Did Not Remit Fees In Compliance With Kentucky Revised Statutes

This is a repeat finding and was included in the prior year audit report as finding 2022-003. During calendar year 2023, it was noted that the payments and or reports for the following items were not remitted in compliance with the corresponding KRS: Ad Valorem Tax, Deed Transfer Tax, Legal Processing receipts, and Affordable Housing Trust Fund receipts.

The ad valorem tax payments were not issued timely as required by KRS 134.815. Two of the 12 ad valorem checks issued for calendar year 2023 were dated after the tenth of the month. In addition, six weeks of license fees were not paid by the following Monday as required by KRS 186.230.

OWSLEY COUNTY
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 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2023
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-003 The Former Owsley County Clerk Did Not Remit Fees In Compliance With Kentucky Revised Statutes

The former county clerk's legal processing receipts were not paid timely as required by KRS 142.010. Two of the eight monthly payments tested were paid after the tenth of the following month. Furthermore, four monthly reports were not completed and disbursements to the state were not made.

The former county clerk's Affordable Housing Trust Fund receipts were not paid timely as required by KRS 62.012. Four of the 12 months for calendar year 2023, Affordable Housing Trust Fund reports were not prepared and disbursements to the state were not made.

The former county clerk's Deed Transfer Taxes were not paid as required by KRS 142.050(4). Four of the 12 months for calendar year 2023, Deed Transfer Tax reports were not prepared and disbursements to the county were not made.

Per the former county clerk, the office lost one full time employee in the prior year and a replacement was not hired. The former county clerk further stated that this has put the county clerk's office behind in processing disbursements timely and filing reports. The state, county, and other taxing districts were delayed in receiving funds that have been budgeted for and also districts may not have been able to provide services to taxpayers due to lack of funding. In addition, the former county clerk is not in compliance with several Kentucky Revised Statutes which would allow for penalties and interest to be assessed for late payments.

Good internal controls dictate that remittance of all fees be done in a timely manner.

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 department for the prompt payment to the state of other moneys collected by the county clerk."

KRS 186.230 states in part, "[t]he county clerk shall see that KRS 186.005 to KRS 186.260 in his county are enforced. In so doing he shall: (5) Report and remit each Monday to the Transportation Cabinet all moneys issued during the previous week, together with a duplicate of all receipts issued by him during the same period. Unless the clerk forwards duplicates of all receipts issued by him during the reporting period with his report and remits the amount shown due by the report within seven days after the report and remittance are due, he shall pay a penalty of one percent per month or fraction thereof on the amount of money shown to be due on the report. The Cabinet may in its discretion grant ... a reasonable extension of time to file his report and remit all moneys not to exceed 10 days."

KRS 142.010 outlines taxes imposed on legal processes and instruments and the applicable fees: "(3) Taxes 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."

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 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2023
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-003 The Former Owsley County Clerk Did Not Remit Fees In Compliance With Kentucky Revised Statutes (Continued)

KRS 64.012(1)(a) outlines the fees charged by county clerks and says in part, “(2) The sixty-three dollar (\$63) fee imposed by this subsection shall be divided as follows: a. Fifty-seven dollars (\$57) 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.”

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.”

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.

2023-004 The Former Owsley County Clerk Owes Various State Agencies For Taxes, Interest, Fees, And Penalties Due

This is a repeat finding and was included in the prior year audit report as finding 2022-004. The former Owsley County Clerk has been in contact with state agencies regarding amounts owed for previous tax collections. Per a recap of bills still outstanding, the former county clerk owes the following amounts to various state agencies:

- \$28,077 Taxes Due
- \$11,891 Interest Due
- \$5,337 Fees Due
- \$22,183 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 has received numerous delay of payment correspondences from the state dating back to 2013 and continuing through 2019. The total, presently known, due to the state in the form of taxes, interest, fees, and penalties is \$67,488. As determined in Funk v. Milliken, since fees, penalties, and interest payments are not an allowable office expense, the county clerk would be personally responsible for the remittance of those amounts totaling approximately \$39,411.

Due to the former county clerk’s failure to implement proper controls, payments for various taxes were either not paid timely or not paid at all. As a result of the failure to pay taxes timely or in their entirety, the former county clerk owes several state agencies for taxes due, interest, penalties, and fees.

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 For The Year Ended December 31, 2023
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-004 The Former Owsley County Clerk Owes Various State Agencies For Taxes, Interest, Fees, And Penalties Due (Continued)

In *Funk v. Milliken*, 317 S. W. 2d 499 (Ky. 1958), Kentucky’s highest court ruled that county fee officials’ expenditures of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not primarily personal in nature.

The former county clerk should have strengthened internal controls over the tax payment process to ensure all tax payments were accurately and timely remitted. Furthermore, the former county clerk should work with the state agencies to settle the tax amounts due and deposit personal funds of \$39,411 in the clerk’s fee account 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.

2023-005 The Former Owsley County Clerk Did Not Submit Title Applications Timely

This is a repeat finding and was included in the prior year audit report as finding 2022-005. 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, 2023, 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 calendar year 2023.

According to the former county clerk, this is a result of a limited budget, which restricts the number of employees the county clerk can hire and delegate responsibilities to. The former county clerk stated that she has been trying to get the transmittals caught up and has sent some of the past due transmittals to the Department of Transportation. The former county clerk is not processing the application of title transmittals as required by KRS 186A.165, which resulted in customers not receiving titles timely. This could prevent customers from conducting business regarding the sale and trade of vehicles.

Good internal controls dictate that title applications be submitted timely.

KRS 186A.165 states in part, “[n]ot later than 3 p.m. on the next business day after an application for a first certificate of registration or title for a vehicle is received by him, the county clerk shall prepare on forms supplied by the Department of Vehicle Regulation, an application transmittal record.”

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.

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 SCHEDULE OF FINDINGS AND RESPONSES
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 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-006 The Former 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 2022-006. The former county clerk received 14 notifications from the Department of Revenue regarding certifications for 2023 franchise bills. Ten of the 14 notifications were not billed and turned over to the sheriff in a timely manner.

According to the former county clerk this is a result of a limited budget which restricts the number of employees the county clerk can hire and delegate responsibilities to. Failure to prepare franchise bills promptly could delay the funds from being collected which would then be distributed to the state, county, school, and other taxing districts.

Good internal controls dictate that franchise tax bills are prepared promptly. In accordance with KRS 133.220, the county clerk is the local official responsible for the preparation of property tax bills each year.

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.

2023-007 The Former Owsley County Clerk Did Not Deposit Funds Timely

This is a repeat finding and was included in the prior year audit report as finding 2022-007. The former county clerk did not deposit daily and did not process receipts timely. During our testing of daily receipts, the following issues were noted:

- No deposit for Wednesday, October 4, 2023.
- Deposit on October 3, 2023, included checks with a date range of 9/21/2023 through 10/02/2023.
- Deposit on October 5, 2023, included checks with a date range of 8/22/2023 through 10/03/2023.
- Deposit on October 6, 2023, included checks with a date range of 9/27/2023 through 10/05/2023.
- Deposit on October 7, 2023, included checks with a date range of 9/7/2023 through 10/06/2023.
- Deposit on October 10, 2023, included checks with a date range of 10/02/2023 through 10/07/2023.

Furthermore, we also noted cash totaling approximately \$62 and checks totaling \$36,861 from customers stapled to previous years' work from calendar year 2018 through June 2023 that appear to have never been deposited into any of the former county clerk's accounts.

The former court clerk attributed the issues noted above is a result of a limited budget, which restricts the number of employees the county clerk can hire and delegate responsibilities to. Delaying deposits can increase the risk that funds will be lost, stolen or otherwise misappropriated.

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For The Year Ended December 31, 2023
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-007 The Former Owsley County Clerk Did Not Deposit Funds Timely (Continued)

The Department for Local Government (DLG) was given the authority by KRS 68.210 to prescribe a uniform system of accounts. The minimum requirements for handling public funds as stated in the *County Budget Preparation and State Local Finance Officer Policy Manual* requires deposits to be made daily. In addition, good internal controls dictate that all payments be deposited timely and on the date received.

The former county clerk should have complied with KRS 68.210 regarding deposits. Furthermore, 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.