



## Auditor of Public Accounts Allison Ball

**FOR IMMEDIATE RELEASE**

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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 2023 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:** The former county clerk was the only full-time employee and was solely responsible for receiving funds, posting to the receipt and disbursement ledgers, reconciling accounts, and report preparation. Additionally, the former county clerk was not authorized to access her fee account for a portion of 2024. The former county clerk was denied the ability to open her 2024 fee account due to an expired driver's license. As a result, the former county clerk requested her part-time deputy to open the account in January 2024. In March 2024, the former county clerk was added to the account as an authorized user. 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:** 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 former county clerk should have complied with applicable statutes and the DLG manual by submitting her quarterly financial report 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 2023, it was noted that the payments and 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 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 and continuing 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 for the remittance of the \$39,411.

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 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, 2023, the former county clerk has 50 transmittals due for calendar year 2022.

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 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.

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, 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 2018 through June 2023 that appear to have never been deposited into any of the accounts.

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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