

**REPORT OF THE AUDIT OF THE
BELL COUNTY
CLERK**

**For The Year Ended
December 31, 2010**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

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

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BELL COUNTY CLERK

**For The Year Ended
December 31, 2010**

The Auditor of Public Accounts was engaged to complete the Bell County Clerk's audit for the year ended December 31, 2010. As a result of this engagement, we have issued a disclaimer of opinion on the Bell County Clerk's audit for the year ended December 31, 2010.

Report Comments:

- 2010 - 01 Inconsistent Travel Reimbursement Has Resulted In Questioned Costs
- 2010 - 02 The County Clerk's Office Lacked Adequate Internal Controls Over Payroll Processes
- 2010 - 03 The County Clerk Should Ensure Internal Controls Over Deposit Preparation Are Followed
- 2010 - 04 Overpayments Totaling \$14,817 Were Not Deposited Or Recorded
- 2010 - 05 The County Clerk Should Ensure All Receipts Are Recorded And Deposits Are Made Intact
- 2010 - 06 There Is A Known Deficit Of \$14,800 In The County Clerk's Official Fee Account
- 2010 - 07 The County Clerk Should Ensure Compliance With KRS While Performing Automated Vehicle Information System (AVIS) Transactions
- 2010 - 08 Bids For Grant Monies Were Not Properly Advertised Or Opened
- 2010 - 09 The County Clerk Should Ensure Temporary Tags Are Issued In Accordance With KRS
- 2010 - 10 The County Clerk Should Ensure Vehicle Registrations Are Issued In Accordance With KRS
- 2010 - 11 The County Clerk Should Ensure Handicap Placards Are Issued In Accordance With KRS
- 2010 - 12 Incorrect Entries In The AVIS System Circumvented Delinquent Ad Valorem Taxes
- 2010 - 13 Incorrect Entries In The AVIS System Reduced Usage Tax Due
- 2010 - 14 Incorrect Entries In The AVIS System Reduced License Plate Fees
- 2010 - 15 The County Clerk Should Determine If A Part Time Employee is Eligible For County Retirement
- 2010 - 16 The County Clerk Should Consult With The County Attorney And Cumberland Valley Regional Board Of Ethics About The County's Nepotism Policy
- 2010 - 17 The County Clerk Should Ensure Invoices Are Paid In A Timely Manner
- 2010 - 18 The County Clerk's Office Lacks Adequate Segregation Of Duties Over Receipts And Deposits In The Deed Room

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Albey Brock, Bell County Judge/Executive
The Honorable Becky Blevins, Bell County Clerk
Members of the Bell County Fiscal Court

Independent Auditor's Report

We were engaged to audit the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Bell County, Kentucky, for the year ended December 31, 2010. This financial statement is the responsibility of the County Clerk.

The County Clerk did not provide us with a management representation letter.

Since we were unable to obtain a management representation letter as required by auditing standards, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Bell County, Kentucky, for the year ended December 31, 2010.

We were engaged to audit the financial statement referred to above for the purposes of forming an opinion on the financial statement. The schedule of excess of liabilities over assets is presented for purposes of additional analysis and is not a required part of the financial statement. As discussed in the third paragraph above, the scope of our work was not sufficient to enable us to express an opinion on the financial statement of the County Clerk. Similarly, we are unable to express and do not express an opinion on the schedule of excess of liabilities over assets in relation to the financial statement.

In accordance with Government Auditing Standards, we have also issued our report dated July 19, 2011 on our consideration of the Bell County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 and should be considered in assessing the results of our audit.

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

- 2010 - 01 Inconsistent Travel Reimbursement Has Resulted In Questioned Costs
- 2010 - 02 The County Clerk's Office Lacked Adequate Internal Controls Over Payroll Processes
- 2010 - 03 The County Clerk Should Ensure Internal Controls Over Deposit Preparation Are Followed
- 2010 - 04 Overpayments Totalling \$14,817 Were Not Deposited Or Recorded



The Honorable Albey Brock, Bell County Judge/Executive
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- 2010 - 17 The County Clerk Should Ensure Invoices Are Paid In A Timely Manner
- 2010 - 18 The County Clerk's Office Lacks Adequate Segregation Of Duties Over Receipts And Deposits In The Deed Room

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Bell County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

July 19, 2011

BELL COUNTY
 BECKY BLEVINS, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2010

Revenues

State Fees For Services		\$ 11,400
Fiscal Court		82,144
Licenses and Taxes:		
Motor Vehicle-		
Licenses and Transfers	\$ 686,619	
Usage Tax	1,161,830	
Tangible Personal Property Tax	1,472,853	
Other-		
Fish and Game Licenses	8,422	
Marriage Licenses	9,515	
Occupational Licenses	330	
State Tax	5,180	
Deed Transfer Tax	16,195	
Delinquent Tax	365,932	3,726,876
Fees Collected for Services:		
Recordings-		
Deeds, Easements, and Contracts	6,886	
Real Estate Mortgages	18,174	
Chattel Mortgages and Financing Statements	47,353	
Powers of Attorney	856	
Liens	12,295	
All Other Recordings	12,156	
Charges for Other Services-		
Copywork	11,902	
Notary Fees	6,160	115,782
Other:		
Refunds	630	
Miscellaneous Receipts	4,112	
Affordable Housing Trust Fund	17,923	22,665
Interest Earned		307

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

BELL COUNTY
 BECKY BLEVINS, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

Revenues (Continued)

Unrecorded Receipts

Overpayments	\$	14,817	
License Fees		57	
Chattel Mortgages		22	
Mortgage Filing Fees		32	
Postage		32	
Recording Fees		22	
Copywork		18	
Miscellaneous		16	
Notary Fees		4	
			<u>\$ 15,020</u>

Total Revenues 3,974,194

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	496,177	
Usage Tax		1,126,428	
Tangible Personal Property Tax		496,727	

Licenses, Taxes, and Fees-

Fish and Game Licenses		8,077	
Delinquent Tax		69,238	
Legal Process Tax		17,153	
Affordable Housing Trust Fund		17,910	2,231,710
			<u>2,231,710</u>

Payments to Fiscal Court:

Tangible Personal Property Tax		153,221	
Delinquent Tax		55,724	
Deed Transfer Tax		15,385	
Occupational Licenses		230	224,560
			<u>224,560</u>

Payments to Other Districts:

Tangible Personal Property Tax		753,480	
Delinquent Tax		134,906	888,386
			<u>888,386</u>

Payments to Sheriff 17,185

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

BELL COUNTY
 BECKY BLEVINS, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

Expenditures (Continued)

Payments to County Attorney		\$	51,539
Operating Expenditures:			
Personnel Services-			
Deputies' Salaries	\$	241,669	
Part-Time Salaries		16,088	
Overtime		35,201	
Employee Benefits-			
Employer's Share Social Security		27,779	
Contracted Services-			
Extra Help		141	
Accounting Services		4,908	
Materials and Supplies-			
Office Supplies		909	
Other Charges-			
Election Expenses		40,825	
Conventions and Travel		3,263	
Preparing Tax Bills		3,971	
Refunds		3,450	
Uncollected Returned Checks		2,049	
Miscellaneous		3,236	
			383,489
Debt Service:			
Copier Lease		3,535	
Hardware & Software License & Service Agreement		21,672	25,207
Overpayment Remitted By Cashier's Check			387
Unpaid Liabilities:			
Overpayments Due To Taxpayers		14,431	
License Fees Due To State		25	
Registration Fees Due To KCCA		600	15,056
Total Expenditures		\$	3,837,519

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

BELL COUNTY
 BECKY BLEVINS, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

Less: Disallowed Expenditures		
Duplicate Payroll Payment	\$	155
Employer's Share of Social Security		<u>12</u>
Total Disallowed Expenditures	\$	<u>167</u>
Total Allowable Expenditures		<u>3,837,352</u>
Net Revenues		136,842
Less: Statutory Maximum		<u>81,540</u>
Excess Fees		55,302
Less: Expense Allowance		3,600
Training Incentive Benefit		<u>3,624</u>
Excess Fees Due County for 2010		48,078
Payment to Fiscal Court - March 8, 2011		<u>40,000</u>
Balance Due Fiscal Court at Completion of Audit	\$	<u><u>8,078</u></u>

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

BELL COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2010

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 revenues over expenditures 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 comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures 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 2010 services
- Reimbursements for 2010 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2010

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

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, 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).

BELL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2010
(Continued)

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. 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 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.16 percent for the first six months and 16.93 percent for the last six months.

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 (members 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.

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, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Bell 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(4), 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. Although the County Clerk entered into agreements with two depository institutions, the requirements of part (b) were not met at one institution because the board of directors of the depository institution or loan committee did not approve the Bell County Clerk's written agreement securing the Clerk's interest in collateral pledged.

BELL COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2010
 (Continued)

Note 3. Deposits (Continued):

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 Bell County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2010, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Grant

During calendar year 2010, the County Clerk received grant funds totaling \$26,838 from the Kentucky Department for Libraries and Archives to be used for the microfilming of selected records and index conversion of records from disc to film. The account earned interest of \$19 during the year, bringing the balance to \$26,857 as of December 31, 2010. The term of this project is from July 1, 2010 to December 30, 2011.

Note 5. Copier Lease

The office of the County Clerk was committed to a lease agreement for a copier. The agreement requires a monthly payment of \$295 for 48 months to be completed on or before March 4, 2012. During the calendar year, the Clerk remitted lease payments totaling \$3,535 toward the ending balance. As of December 31, 2010, the ending balance of the agreement was \$4,124.

Note 6. Hardware Service and Software License & Service Agreements

The office of the County Clerk was committed to a hardware service agreement and a software license and service agreement with a software company. The agreements require monthly payments, as follows, to be completed on June 15, 2013:

Items	Monthly Payment	Term of Agreement	Principal Balance as of 12/31/10
Hardware Service Agreement	\$ 331	60 months	\$ 9,599
Software License & Service Agreement			
Deed Room Indexing System - 6 Terminals	350	60 months	10,150
Delinquent Tax System - 6 Terminals	275	60 months	7,975
Deed Room Imaging System - 5 Terminals	500	60 months	14,500
Deed Room Indexing System - 1 Additional Terminal	50	53 months	1,450
Voter Registration Imaging System - 1 Terminal	300	46 months	8,700
	\$ 1,806		\$ 52,374

BELL COUNTY
 BECKY BLEVINS, COUNTY CLERK
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS - REGULATORY BASIS

December 31, 2010

Assets

Cash in Bank	\$ 196,767
Deposits in Transit	37,102
Receivables	<u>182,402</u>
 Total Assets	 416,271

Liabilities

Paid Obligations:

Outstanding Checks	\$ 18,114
Outstanding Liabilities	<u>388,201</u>

Total Paid Obligations	<u>406,315</u>
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Unpaid Obligations:

Overpayments Due To Taxpayers	14,431
State Treasurer-	
Motor Vehicle Licenses	25
Registration Fees Due To KCCA	600
Additional Excess Fees Due To County	8,078
Transfer From Payroll Account To 2009 Fee Account	<u>1,622</u>

Total Unpaid Obligations	<u>24,756</u>
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Total Liabilities	<u>431,071</u>
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Total Fund Deficit as of December 31, 2010	<u>\$ (14,800)</u>
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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



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Albey Brock, Bell County Judge/Executive
The Honorable Becky Blevins, Bell County Clerk
Members of the Bell 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

We were engaged to audit the statement of revenues, expenditures, and excess fees - regulatory basis of the Bell County Clerk for the year ended December 31, 2010, and have issued our report thereon dated July 19, 2011, wherein we disclaimed an opinion on the financial statement because we were not provided a management representation letter. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bell County Clerk's internal control over financial reporting as a basis for designing our auditing procedures 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 Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clerk's internal control over financial reporting.

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 over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control over financial reporting 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 statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as items 2010-01, 2010-02, 2010-03, 2010-04, 2010-05, 2010-06 and 2010-18 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 Bell County Clerk's financial statement for the year ended December 31, 2010, 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 comments and recommendations as items 2010-01, 2010-02, 2010-03, 2010-06, 2010-07, 2010-08, 2010-09, 2010-10, 2010-11, 2010-12, 2010-13, 2010-14, 2010-15, 2010-16 and 2010-17.

The Bell County Clerk's response to the findings identified in our audit is described in the accompanying comments and recommendations. We did not audit the Clerk's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Bell County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

July 19, 2011

COMMENTS AND RECOMMENDATIONS

BELL COUNTY
BECKY BLEVINS, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2010

FINANCIAL STATEMENT FINDINGS:

2010 - 01 Inconsistent Travel Reimbursement Has Resulted In Questioned Costs

While reviewing travel reimbursements, auditors noted the Clerk did not consistently reimburse employees and herself in accordance with the Clerk's personnel policy. For example, the Clerk's personnel policy states, "meal reimbursement shall be made on an actual expense basis by receipt not to exceed ten (\$10) dollars per meal." However, auditors noted:

- In June 2010, the Clerk, two full-time employees and one part-time employee attended the Kentucky County Clerks' Association (KCCA) Spring Conference. The Clerk was reimbursed by meal receipts, but each employee received a \$90 per diem payment. The Clerk was reimbursed \$21 in excess of the maximum allowed by her personnel policy. This excessive reimbursement is considered a questioned cost. Furthermore, the employees received per diem payments even though their registration fees included some meals. As a result, \$50 of the per diem payments made to each employee are considered questioned costs. In total, reimbursements for the KCCA Spring Conference have resulted in \$171 in questioned costs.
- In August and December 2010, the Clerk was reimbursed by meal receipts; however, the Clerk received \$18, and \$26, respectively, in excess of the maximum allowed by her personnel policy. These reimbursements, totaling \$44, are considered questioned costs.
- In December 2010, an employee received a \$60 per diem payment for attendance at the KCCA Legislative Committee Meeting. However, based on meeting minutes provided by the KCCA, this employee was not present at the meeting. Therefore, this per diem payment is considered a questioned cost.

The allowable amount of travel reimbursements are determined by the Clerk's personnel policy, as described above. Inconsistent travel reimbursements have resulted in questioned costs totaling \$275. We recommend the Clerk adhere to her personnel policy by reimbursing herself and the Clerk's employees consistent with the policy. The questioned costs described above, totaling \$275, are being referred to the Fiscal Court for review. If the Fiscal Court determines these reimbursements were not reasonable and necessary, the Clerk should personally reimburse the fee account for these expenses.

County Clerk's Response: I think it is unfair to ask an employee to travel and have extra money to pay for their food. When an employee travels for training for their job they are allotted a \$30.00 a day food allowance per [the auditor] during our last exit conference. So, as they are leaving for the training they are given money to pay for their food. Most people live from paycheck to paycheck they don't have extra money laying around to pay for food. [The auditor] wrote us up in this audit stating the employees need more training. However, no employee is going to want to go to any training when they are harassed by the auditor. In the past I would pay for their meals and the office reimbursed me but, [the auditor] told us we couldn't do that. However, that is exactly how the previous administration did it and nothing was ever said. It's a shame when someone resents an employee getting to eat a meal because they are out of town for training. My bookkeeper writes the checks. I turn all receipts over to the bookkeeper and she calculates the food allowance and the mileage based on the map that the auditor's office requires us to use. There is no breakdown on the check showing the amount for food and the amount for gas.

BELL COUNTY
 BECKY BLEVINS, COUNTY CLERK
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2010
 (Continued)

FINANCIAL STATEMENT FINDINGS (CONTINUED):

2010 - 01 Inconsistent Travel Reimbursement Has Resulted In Questioned Costs (Continued):

County Clerk's Response: Two people did attend the meetings and attached to my travel log are receipts showing that they were with me and they did attend the meeting.

Auditor's Reply: Our finding was based upon the per diem amount noted in the County Clerk's personnel policy. The auditor did not set the allowable per diem amount. The minutes provided by the Kentucky County Clerks' Association to the auditor identified the individuals present at the December 2010 meeting. The Bell County Clerk was the only person from Bell County included on this listing.

2010 - 02 The County Clerk's Office Lacked Adequate Internal Controls Over Payroll Processes

While performing our test of payroll, we noted the following:

- One (1) employee received a duplicate payroll payment for \$155. The employer's share of social security and medicare for this payment totaled \$12.
- Four (4) timecards, for one pay period, were not signed by employees
- Ten (10) timecards, for one pay period, were not signed by the Clerk

Effective internal controls for payroll processing require employee and Clerk signatures on all timecards, and payment for actual hours worked. The Clerk had properly designed internal controls to ensure timecards were properly authorized, and employees were paid for actual hours worked; however, these internal controls did not operate as intended. As a result, the weaknesses described above were not detected or resolved in a timely manner.

We recommend the Clerk ensure established internal control procedures are properly implemented. By doing so, the Clerk will be certain that payroll payments are properly supported. The Clerk should also deposit funds of \$167 to the fee account for the duplicate payroll payment.

County Clerk's Response: This is ridiculous a CPA does our payroll and we are just supposed to take [the auditor's] word that an employee received a duplicate payroll check for \$155.00. [sic] [The auditor] doesn't give us a name, a date or anything to go by. When [the auditor] questioned a fee that we paid to the surveyor and [the auditor] actually asked us about it we provided the documentation and the matter was resolved. Why couldn't [the auditor] handle this situation that way? However, when we got this information in the mail yesterday my bookkeeper started looking and after checking the entire payroll account for 2010 she states there were no payroll checks issued in that amount.

Auditor's Reply: Auditors were unable to discuss this finding with the County Clerk because she did not appear for her scheduled exit conference. It is the policy of the Auditor of Public Accounts to exclude identifying details from audit comments to preserve the anonymity of employees. Specific details, including copies of supporting documentation, will be provided to the Clerk upon request. Furthermore, \$155 is the gross amount credited to the employee. The check amount issued to the employee would have been less, net payroll deductions.

BELL COUNTY
BECKY BLEVINS, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2010
(Continued)

FINANCIAL STATEMENT FINDINGS (CONTINUED):

2010 - 02 The County Clerk's Office Lacked Adequate Internal Controls Over Payroll Processes (Continued):

County Clerk's Response: All employees sign their time cards and then I sign them. The summer workers we had through Bell Whitley were not required to sign them. They had time sheets they had to sign for Bell Whitley because Bell Whitley paid their salary. I didn't sign the Bell Whitley worker's time cards.

Auditor's Reply: The time cards identified in the finding were for full time and part time office staff, whose payroll was funded from the fee account. Payroll processed by other agencies was not within the audit scope.

2010 - 03 The County Clerk Should Ensure Internal Controls Over Deposit Preparation Are Followed

Auditor inquiry about internal control procedures over receipts revealed the County Clerk opens the mail and distributes work received to the deputy and/or deputies that typically perform the applicable duty. Deputy clerks process work received in the mail, as well as serve taxpayers that appear in person in the Clerk's office. At the frontline, where vehicle transactions are performed, two cash drawers and two cash register ID's are shared between deputy clerks of the Clerk's office. At the end of the day, the bookkeeper is responsible for counting the money in both cash drawers. The following day, the bookkeeper prepares the daily checkout sheet and daily deposit. In order to prepare the daily checkout sheet, the bookkeeper must agree and/or reconcile total collections recorded on the cash register tape to the daily Automated Vehicle Information System (AVIS) report of all vehicle transactions performed to the monies in the cash drawers. One particular step of the daily checkout and deposit preparation procedures is to agree and/or reconcile cash and checks collected, as recorded on the cash register tape (by individual cash register ID number), to the cash and checks on hand, in each cash drawer. However, if the total amount deposited agreed to total collections on the cash register tape, then this procedure was not performed.

Since the procedure noted above was not performed, the following occurred and was not detected:

- The total cost for usage tax and applicable fees totaled \$841. The dealership where the vehicle was purchased provided the Clerk's office with a check for \$1,257. The cash register tape recorded fees totaling \$841, paid by a check, resulting in an overpayment of \$416. However, the Clerk's records do not document an overpayment. The daily deposit for this day agreed to the checkout sheet and daily AVIS report, which means cash totaling \$416 was not properly deposited and the overpayment was not properly recorded.

BELL COUNTY
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 (Continued)

FINANCIAL STATEMENT FINDINGS (CONTINUED):

2010 - 03 The County Clerk Should Ensure Internal Controls Over Deposit Preparation Are Followed (Continued):

- Subsequently, auditors learned that this taxpayer received a refund for the unrecorded overpayment related to the purchase of his vehicle. Although, the unrecorded overpayment identified by auditors totaled \$416, the taxpayer received a cashier's check purchased from a local bank for \$387. The cashier's check was sent by certified mail to the taxpayer in the County Clerk's official envelope. The explanation written on the cashier's check was "tax refund". Auditors have verified no refund checks were issued from the Clerk's official fee account to this taxpayer. We have given the Clerk credit for the payment by cashier's check on the Statement of Revenues, Expenditures And Excess Fees. The remaining amount due the taxpayer, totaling \$29, is reflected as an unrecorded overpayment due on the Statement of Revenues, Expenditures And Excess Fees and the Schedule Of Liabilities Over Assets and contributes to the deficit in the Clerk's fee account.

In order for properly designed internal controls to be effective, all procedures must be implemented, including reconciling cash and checks on the cash register tape to cash and checks on hand. The failure to perform a properly designed internal control allowed the instance noted above to occur and not be detected. In addition, all overpayments remitted to taxpayers should be paid directly from the fee account.

We recommend the Clerk ensure that internal control procedures are properly implemented, which includes reconciling cash and checks collected and remitting all payments from the fee account.

County Clerk's Response: How can I respond to a situation where there is no name, no date and no vehicle information. [sic] [The auditor] did not ask us about this nor did [the auditor] provide a name or any other information for us to research it and see what [the auditor's] talking about. [The auditor] mentions names in other statements. Why not be up front and ask what happened in that particular situation. [sic] Our deposits are made on time every day and our first two audits for 2009 and 2010 showed perfect that we hadn't shorted Revenue Cabinet a dime. I have a bookkeeper and a CPA who checks after her, he gets a copy of every daily sheet, every deposit slip and every check written.

Auditor's Reply: Auditors were unable to discuss this finding with the County Clerk because she did not appear for her scheduled exit conference. It is the policy of the Auditor of Public Accounts to exclude identifying details from audit comments to preserve the anonymity of taxpayers. Specific details, including copies of supporting documentation, will be provided to the Clerk upon request. The instance described above is an overpayment received from a dealership and has no impact on the taxes and fees collected for the Kentucky Department of Revenue.

BELL COUNTY
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COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2010
(Continued)

FINANCIAL STATEMENT FINDINGS (CONTINUED):

2010 - 04 Overpayments Totaling \$14,817 Were Not Deposited Or Recorded

As a result of the internal control weakness identified in comment #2010-03, we expanded testing of daily deposits and identified seventy-one (71) instances (including the one described in comment #2010-03), totaling \$14,817, in which overpayments were received, but were not recorded. Sixty-four (64) transactions were for vehicle purchases, one (1) was for a vehicle lease, and six (6) were for other items such as ad valorem taxes, registration fees, and title fees. Registration certificates for fifty-three (53) of these transactions were printed at the Pineville office. Eighteen (18) were printed at the Middlesboro office. Further investigation noted the following unique characteristics also attributable to these instances:

- Correction registration certificates were printed for five (5) of the fifty-three (53) instances in which overpayments were not properly recorded in the Pineville office.
- Sixty-one (61) of the sixty-five (65) vehicles purchased and leased, were from out-of-state dealers or dealers not in the local area.
- Documentation attached to the Clerk's copy of three (3) registration certificates indicates that the transactions were initiated through the mail (i.e., a taxpayer did not appear in person).
- Multiple instances of noncompliance with Kentucky Revised Statutes (KRS) were noted. Refer to comment #2010-07 for additional details and explanations.

Auditors note that the instances identified above are the results of sample test procedures, and not a review of every business day, which is not feasible. Therefore, there could be additional instances of overpayments being received, but not recorded that were not identified during audit testing.

In order for properly designed internal controls to be effective, all procedures must be implemented, including reconciling cash and checks on the cash register tape to cash and checks on hand. The failure to perform a properly designed internal control resulted in cash totaling \$14,817 not being recorded or deposited to the Clerk's fee account. The amount not repaid to taxpayers, totaling \$14,431 contributes to the deficit in the Clerk's fee account as reflected on the Schedule of Excess of Liabilities Over Assets.

We recommend the Clerk ensure all steps of internal control procedures are properly implemented. In addition, the Clerk should pay taxpayers for the overpayments due, as noted on the Statement of Revenues, Expenditures and Excess Fees and on the Schedule of Excess of Liabilities Over Assets. We will refer our findings to the Office of the Attorney General for further review.

County Clerk's Response: How can I respond to a situation where there is no name, no date and no vehicle information. [sic] [The auditor] did not ask us about this nor did [the auditor] provide a name or any other information for us to research it and see what [the auditor's] talking about. [The auditor] mentions names in other statements. Why not be up front and ask what happened in that particular situation. [sic] Our deposits are made on time every day and our first two audits for 2009 and 2010 showed perfect that we hadn't shorted Revenue Cabinet a dime. I have a bookkeeper and a CPA who checks after her, he gets a copy of every daily sheet, every deposit slip and every check written.

BELL COUNTY
BECKY BLEVINS, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2010
(Continued)

FINANCIAL STATEMENT FINDINGS (CONTINUED):

2010 - 04 Overpayments Totaling \$14,817 Were Not Deposited Or Recorded (Continued):

Auditor's Reply: Auditors were unable to discuss this finding with the County Clerk because she did not appear for her scheduled exit conference. It is the policy of the Auditor of Public Accounts to exclude identifying details from audit comments to preserve the anonymity of taxpayers. Specific details, including copies of supporting documentation, will be provided to the Clerk upon request. The instances described above are overpayments received from dealerships, or taxpayers and have no impact on the taxes and fees collected for the Kentucky Department of Revenue.

2010 - 05 The County Clerk Should Ensure All Receipts Are Recorded And Deposits Are Made Intact

While performing test procedures for overpayments, auditors discovered instances in which checks were included within the deposit, but receipts were not issued for these checks on the same day. Conversely, receipts were recorded that reflected payment by checks; however, no check for the corresponding amount could be located within the deposit. One characteristic of the Clerk's internal controls is that all receipts issued on one day should agree to the Clerk's daily deposit, checkout sheet and receipt ledger. The Clerk does not have an accounts receivable system for taxpayers, but allows the Fiscal Court to charge for fees.

The following example of vehicle transactions for the Fiscal Court displays this audit finding:

- On both October 28 and November 5, 2010, one registration certificate was processed for duplicate title. Fees for each transaction were \$6, totaling \$12. Cash register receipts were issued for both registration certificates for payment by checks on October 28, 2010 and November 5, 2010. Even though the Clerk did not receive payment for these transactions on October 28th or November 5th, the daily Automated Vehicle Information System (AVIS) report of vehicle transactions agreed to the daily checkout sheet and daily deposit on both dates. The Clerk's office actually received and deposited a check for payment of these registration certificates on November 15, 2010. There were no transactions processed for the Fiscal Court on November 15, 2010; however, the monies collected on November 15th for vehicle transactions agreed to the daily AVIS report of fees and taxes due, and the daily deposit.

Since the Clerk only allows the Fiscal Court to charge for fees, the daily Automated Vehicle Information System (AVIS) report of vehicle transactions should not agree to the daily checkout sheet and daily deposit on these three dates.

The following is a similar example in which the auditor identified the purpose of monies received, but not recorded:

- A taxpayer remitted payment for \$115 because the total cost of five (5) renewal decals totaled \$105. The additional \$10 paid to the Clerk's office was likely for \$2 mail-in fees for each vehicle; however, the mail-in fees were not recorded on the cash register tape or in the receipt ledger.

BELL COUNTY
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For The Year Ended December 31, 2010
(Continued)

FINANCIAL STATEMENT FINDINGS (CONTINUED):

2010 - 05 The County Clerk Should Ensure All Receipts Are Recorded And Deposits Are Made Intact (Continued):

While performing the audit, we were able to identify the purpose for seventeen (17) instances totaling \$203 in receipts that were received, but were not recorded on the cash register tape or receipt ledger. Sixteen (16) instances were identified in the Pineville office receipts and one (1) instance was identified in the Middlesboro office receipts. Additional instances of unrecorded monies were identified; however, auditors were unable to determine the purpose of these payments because taxpayers did not always provide an explanation on their check(s).

One instance in which a receipt recorded payment of a registration certificate by check, but a check was not included within the daily deposit, was for registration fees for the County Clerk's personal vehicle, totaling \$46. The auditors also noted a check payable to a deputy Clerk was cashed in a cash drawer. The check, for \$51, was drawn on the Clerk's campaign account. Although this amount is immaterial, the practice of cashing checks distorts the cash audit trail and prevents deposits from being made intact.

In order for properly designed internal controls to be effective, all procedures must be implemented, which includes reconciling cash and checks on the cash register tape to cash and checks on hand. The State Local Finance Officer, under the authority of KRS 68.210, has established minimum accounting requirements that include depositing receipts intact.

We recommend the Clerk ensure all steps of internal control procedures are properly implemented. In addition, the Clerk should deposit personal funds of \$203, then remit an additional \$25 to the Kentucky Transportation Cabinet for title fees collected. The remaining \$178 increases excess fees due to the Fiscal Court. We will refer our findings to the Office of the Attorney General for further review.

County Clerk's Response: How can I respond to a situation where there is no name, no date and no vehicle information. [sic] [The auditor] did not ask us about this nor did [the auditor] provide a name or any other information for us to research it and see what [the auditor's] talking about. [The auditor] mentions names in other statements. Why not be up front and ask what happened in that particular situation. [sic] Our deposits are made on time every day and our first two audits for 2009 and 2010 showed perfect that we hadn't shorted Revenue Cabinet a dime. I have a bookkeeper and a CPA who checks after her, he gets a copy of every daily sheet, every deposit slip and every check written.

Auditor's Reply: Auditors were unable to discuss this finding with the County Clerk because she did not appear for her scheduled exit conference. It is the policy of the Auditor of Public Accounts to exclude identifying details from audit comments to preserve the anonymity of taxpayers. Specific details, including copies of supporting documentation, will be provided to the Clerk upon request. The additional fees due to the Kentucky Transportation Cabinet are for unrecorded receipts.

BELL COUNTY
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COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2010
(Continued)

FINANCIAL STATEMENT FINDINGS (CONTINUED):

2010 - 06 There Is A Known Deficit Of \$14,800 In The County Clerk's Official Fee Account

There is a known deficit of \$14,800 in the Clerk's official fee account. The deficit is comprised of the following:

- Overpayments received, but not properly recorded or refunded to taxpayers, totaling \$14,431 (Comment #2010-04)
- Other receipts received, but not properly recorded totaling \$203 (Comment #2010-05)
Duplicate payroll payment (gross wages and employer's share of social security), totaling \$167 (Comment #2010-02)

As in any office, the Clerk should ensure all monies paid to her office are properly deposited and all expenditures are reasonable and necessary for the operations of the Clerk's office.

We recommend the County Clerk deposit personal funds of \$14,800 into the official fee account to cover the deficit. After the deficit is paid, the Clerk should pay all unpaid liabilities due to taxpayers, as well as additional excess fees of \$8,078 due the Fiscal Court as noted on the Statement of Revenues, Expenditures And Excess Fees. If the Fiscal Court determines the questioned costs noted in comments #2010-01, totaling \$275, were unreasonable and/or unnecessary for the operations of the Clerk's office, the deficit in the Clerk's official fee account, and the amount of excess fees due the Fiscal Court will increase by \$275.

County Clerk's Response: How can I respond to a situation where there is no name, no date and no vehicle information. [sic] [The auditor] did not ask us about this nor did [the auditor] provide a name or any other information for us to research it and see what [the auditor's] talking about. [The auditor] mentions names in other statements. Why not be up front and ask what happened in that particular situation. [sic] Our deposits are made on time every day and our first two audits for 2009 and 2010 showed perfect that we hadn't shorted Revenue Cabinet a dime. I have a bookkeeper and a CPA who checks after her, he gets a copy of every daily sheet, every deposit slip and every check written.

Auditor's Reply: It is the policy of the Auditor of Public Accounts to exclude identifying details from audit comments to preserve the anonymity of taxpayers. All audit findings and supporting documentation was reviewed for accuracy before audit findings were communicated to the County Clerk. Auditors were unable to discuss the deficit with the County Clerk because she did not appear for her scheduled exit conference. Specific details, including copies of supporting documentation, will be provided to the Clerk upon request.

BELL COUNTY
 BECKY BLEVINS, COUNTY CLERK
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2010
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FINANCIAL STATEMENT FINDINGS (CONTINUED):

2010 - 07 The County Clerk Should Ensure Compliance With KRS While Performing Automated Vehicle Information System (AVIS) Transactions

While reviewing the supporting documentation for transactions identified in comment #2010-04, we noted the following:

- Eleven (11) vehicles were registered by the Clerk's office before they were properly inspected. Inspection delays range from one (1) to thirteen (13) business days late, not considering weekends.
- Five (5) vehicles did not appear to have been inspected.
- Proper inspection for one (1) vehicle could not be verified because the Clerk did not maintain the necessary paperwork in the Clerk's office and did not submit the paperwork to the Department of Transportation.
- On eleven (11) occasions, the Clerk did not maintain the proper supporting paperwork in her office. On two (2) of these occasions, the Clerk did not submit the proper paperwork to the Kentucky Transportation Cabinet.
- Thirty-one (31) Applications for Kentucky Certificate of Title and Registration were incomplete for the following reason(s):
 - Two (2) Application did not include the owner/buyer's signature.
 - The County Clerk portion of twenty (20) Applications was not complete.
 - The out-of-state notary was not properly stamped/embossed on ten (10) Applications.
- Two (2) unusual notary situations were noted. The details of these instances are described below.
 - The seller's signature (dealer representative) was notarized by a deputy clerk on the same date the transaction was processed, even though the purchaser/buyer's signature was notarized and stamped by an out-of-state notary on a previous date. The dealer is located in LaFollette, Tennessee.
 - The seller's signature (dealer representative) and owner/buyer's signature were notarized by a deputy clerk on the same date the transaction was processed. The dealer is located in Bristol, Virginia.
- Duplicate registration certificates were printed for fourteen (14) of the instances in which overpayments were not properly recorded in the Pineville office. Thirteen (13) of these duplicates were not properly signed in accordance with KRS 186.180(1).

KRS 186A.115(1) states, "[e]xcept as otherwise provided in this section, the owner of every vehicle brought into this state and required to be titled in this state shall, before submitting his application for title to the county clerk, have the vehicle together with his application for title and its supporting documents inspected by a certified inspector in the county in which the application for title is to be submitted to the county clerk." The County Clerk is given the responsibility to ensure the application for titles submitted to her office are properly completed before being registered, under KRS 186A.085, which notes, "[n]o county clerk shall accept an application for a certificate of registration or title, or license plate, unless the vehicle bears an apparently legitimate vehicle identification number... as indicated by an owner's application."

BELL COUNTY
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 (Continued)

FINANCIAL STATEMENT FINDINGS (CONTINUED):

2010 - 07 The County Clerk Should Ensure Compliance With KRS While Performing Automated Vehicle Information System (AVIS) Transactions (Continued):

Furthermore, KRS 186A.275 states, “[n]o county clerk or other person who is authorized to utilize the automated vehicle registration and titling system, shall knowingly enter into such system, information enabling the system to produce a certificate of title and registration, certificate of registration, or certificate of title,... unless he has in his official custody at the time he enters such information into the system, an application which he believes to be bona fide and in proper form....”

According to KRS 138.460(7)(a) and (b), the “county clerk or other officer shall not title, register, or issue any license tags to the owner of any motor vehicle subject to this tax, when the vehicle is then being offered for titling or registration for the first time, unless the seller or his agent delivers to the county clerk a notarized affidavit, if required, and available under KRS 138.450 attesting to the total and actual consideration paid or to be paid for the motor vehicle. (b) If a notarized affidavit is not available, the clerk shall follow the procedures under KRS 138.450(12) for new vehicles, and KRS 138.450(14) or (15) for used vehicles.”

KRS 186.020(4), requires, “[t]he application and documents presented therewith, including the sheriff’s certificate of inspection, shall be affixed to the Transportation Cabinet copy of the certificate of title or registration and sent to the Transportation Cabinet by the clerk.”

If an individual loses his copy of a registration receipt, KRS 186.180(1) provides that he, “may obtain a duplicate from the county clerk who issued the present owner’s copy of the receipt by presenting the clerk proof of insurance on the motor vehicle in compliance with KRS 304.39–080, and by filing an affidavit, upon a form furnished by the cabinet.” The affidavit furnished by the cabinet is the County Clerk’s copy of the duplicate registration with a signature line for the owner to certify the provisions of KRS 186.180(1) and/or (2) are true.

We recommend the Clerk establish procedures to ensure all requirements of KRS are met before a vehicle is registered and/or titled. The Clerk could consider additional training for office staff so employees are knowledgeable about documentation required to register/title vehicles. We will refer our findings to the Kentucky Transportation Cabinet and the Kentucky Department of Revenue for further review.

The Auditor of Public Accounts gives officials an opportunity to respond in writing to the comments in the audit report. Portions of the Clerk’s response are not included in this report because some of the passages were personal, inappropriate, and unrelated to the audit.

County Clerk’s Response: The application for a title is carbonless in Kentucky. Many times if the customer doesn’t press down hard enough their signature does not show on the second copy. [sic] What does [the auditor] mean by incomplete? Was there no tag number listed or what?

BELL COUNTY
 BECKY BLEVINS, COUNTY CLERK
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2010
 (Continued)

FINANCIAL STATEMENT FINDINGS (CONTINUED):

2010 - 07 The County Clerk Should Ensure Compliance With KRS While Performing Automated Vehicle Information System (AVIS) Transactions (Continued):

Auditor's Reply: The County Clerk portion of a properly completed Application should include the application type, date of issuance, title number, plate number, signature and title of issuer (Clerk or deputy clerk), county, and date. Incomplete means that information for two or more of these areas was not entered.

County Clerk's Response: Notary seals and stamps are not required in the State of Kentucky (see attached statute).

Auditor's Reply: A KRS was not attached to the Clerk's responses. Although Kentucky does not require a notary stamp, the State of Tennessee requires a round ink stamp in which the seal impression must be photographically reproducible. Nine (9) of the ten (10) instances noted in our comment were for acknowledgements from Tennessee notary publics. The State of Georgia also requires the use of a seal. One (1) instance noted was an acknowledgement from a Georgia notary public.

County Clerk's Response: There are many reasons that a vehicle may be inspected on one day and tagged on another.

Auditor's Reply: While vehicles may be registered and/or titled on a date subsequent to inspection, KRS 186A.115(1) requires vehicles to be inspected prior to being registered and/or titled.

County Clerk's Response: [The auditor's] unusual notary situation: For example, you bought your vehicle in Tennessee but the dealer hadn't signed the seller section. Because it will save the customer money going on the selling price the deputy clerk goes out of her way to call the dealer and tell them what she needs. The dealer agrees and the deputy clerk faxes the form to the dealer. When the dealer faxes it back she notarized it for them. Because she knows the dealer signed it and it benefits the customer.

Auditor's Reply: KRS 423.130(1) states, "[t]he person taking an acknowledgment shall certify that: [t]he person acknowledging appeared before him... ." As such, the notary should not certify a signature unless the signer is physically present.

County Clerk's Response: Many times duplicate registrations are printed for the customer because obviously the owner needs the original registration in the vehicle and the dealer wants one so they can get their money from the bank.

Auditor's Reply: Registration certificates are printed in triplicate; a blue copy for the owner, a red copy for the County Clerk, and a yellow copy for the financial institution (commonly referred to as the "goldenrod"). Therefore, the necessary paperwork is produced when a vehicle is registered / titled. Duplicate registrations may be printed under the provisions of KRS 186.180(1); however, this applies to situations in which an owner has lost his or her copy of a registration receipt.

BELL COUNTY
 BECKY BLEVINS, COUNTY CLERK
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2010
 (Continued)

FINANCIAL STATEMENT FINDINGS (CONTINUED):

2010 - 07 The County Clerk Should Ensure Compliance With KRS While Performing Automated Vehicle Information System (AVIS) Transactions (Continued):

County Clerk's Response: My deputies would have been happy to go to more trainings. However, since the harassment they have received from [the auditor] in the auditors' office none of them want to attend any more meetings. They couldn't believe [the auditor] wrote the \$10.00 meal up they ate in Somerset when they went to Somerset after working all day to attend a meeting. However, I feel like my deputies are trained and qualified for the duties they are performing. [] My employees have the following amount of experience: [Employee #1], 19 years, [Employee #2], 14 years, [Employee #3], 15 years, [Employee #4], 14 years, [Employee #5], 4 years, [Employee #6], 2 years, [Employee #7], 6 years, [Employee #8], 1 year, [Employee #9], 1 year.

2010 - 08 Bids For Grant Monies Were Not Properly Advertised Or Opened

During calendar year 2010, the Clerk received a grant from the Commonwealth of Kentucky Department for Libraries and Archives (the Department) for \$26,838, for the microfilming of various deed books, and index conversion of records from disc to film. The Clerk did not advertise for bids, but mailed invitations to bid to prospective vendors. Bids were submitted to the Clerk's office, but were not opened publicly. Auditors were unable to determine who or where bid submissions were opened.

KRS 424.260(1) requires the Clerk to advertise for bids prior to making any expenditure greater than \$20,000. The grant agreement incorporates this criterion by requiring the Clerk to "adhere to State laws and regulations governing procurement of equipment and services."

We recommend the Clerk comply with the guidelines of all future grants received by advertising for bids as directed by KRS 424.260(1).

County Clerk's Response: Number eight is totally false. [The auditor] knew that I didn't have anything to do with the bidding process. [The auditor] was informed by myself and [a representative] from Library and Archives in Frankfort that [the representative] handled the bid process. That money has not been spent yet because Library & Archives are waiting on the company to finish another job before they start ours. I spoke with [the representative] with Library and Archives concerning this and he said he would be contacting Crit Luallen to get it cleared up.

Auditor's Reply: The County Clerk signed the grant agreement in which she agreed to "[a]dhere to State laws and regulations governing procurement of equipment and services." KRS 424.260(1) requires the Clerk to advertise for bids prior to making any expenditure greater than \$20,000.

BELL COUNTY
 BECKY BLEVINS, COUNTY CLERK
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2010
 (Continued)

FINANCIAL STATEMENT FINDINGS (CONTINUED):

2010 - 09 The County Clerk Should Ensure Temporary Tags Are Issued In Accordance With KRS

During the course of the audit, we determined the Clerk improperly issued a temporary tag to an individual for a salvage vehicle. The documentation attached to the temporary tag registration certificate included:

- A dealer temporary tag application which is a form prescribed by the Department of Vehicle Regulation. Although the individual who received the temporary tag is not a dealer, her name was written on the application. A deputy clerk had signed the application, but the individual had not.
- Typed information describing the vehicle, including vehicle identification number (VIN), year, make, model/description, the state West Virginia, and telephone numbers for the individual.

While KRS 186A.100 provides for the issuance of temporary tags to an individual, it applies to a situation in which the owner has moved into Kentucky and the vehicle is titled in another state. If the owner was a Kentucky resident and the vehicle was purchased in Kentucky, the vehicle would already have a Kentucky title and a temporary tag would be unnecessary. If the owner was a Kentucky resident and the vehicle was purchased out-of-state, the vehicle should have a valid out-of-state title for registration, or it would be equipped with a temporary tag from the out-of-state dealer, so that a temporary tag would be unnecessary. The auditor confirmed through voter registration records that this individual is a Kentucky resident. In addition, KRS 186A.100(4) specifically requires a properly completed application before a temporary tag can be issued.

We recommend the Clerk establish procedures to ensure all requirements of KRS are met before temporary tags are issued. The Clerk should consider additional training for office staff so employees are knowledgeable about documentation required to issue temporary tags. We will refer our finding to the Kentucky Transportation Cabinet and the Kentucky Department of Revenue for further review.

County Clerk's Response: This entire situation occurred as a result of [the auditor's] orders. After we got to checking this is a vehicle the sheriff's office couldn't inspect because [the auditor] had told them they could not inspect a vehicle without a title. Which is not true the entire transaction could have been handled better if [the auditor] hadn't taken over telling the sheriff's office what they could and couldn't inspect. [sic] There are many situations where the sheriff's office inspects a vehicle without a title. The one in question is a perfect example. However, one local dealer came in to get one of his salvage vehicles inspected and the sheriff's office told him they couldn't inspect his vehicle per [the auditor] in the auditor's office. The dealer proceeds to get title branch in Frankfort on the phone. Title Branch informs the sheriff's office that the information [the auditor] gave them was incorrect and they had to inspect this dealer's vehicle without a title.

BELL COUNTY
 BECKY BLEVINS, COUNTY CLERK
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2010
 (Continued)

FINANCIAL STATEMENT FINDINGS (CONTINUED):

2010 - 09 The County Clerk Should Ensure Temporary Tags Are Issued In Accordance With KRS (Continued):

Auditor's Reply: The auditor had no knowledge of the vehicle identified in the finding until after the audit began. This transaction occurred during calendar year 2010. Furthermore, no employee of the Auditor of Public Accounts has ever advised the Bell County Sheriff's office of criteria for proper vehicle inspections. Inspectors are trained and certified through the Department of Vehicle Regulation in accordance with KRS 186A.115, which also requires a properly assigned certificate of title. Throughout audit testing, there were no indications that any employee(s) of the Bell County Sheriff's office inspected vehicle(s) without titles. The vehicle noted in the finding was not inspected.

2010 - 10 The County Clerk Should Ensure Vehicle Registrations Are Issued In Accordance With KRS

The Clerk improperly issued a salvage title receipt for the same vehicle identified in comment #2010-09 without the proper paperwork and without collecting usage tax. The documentation attached to the salvage title receipt included:

- An "affidavit to register without papers." This affidavit is not a form prescribed by the Department of Vehicle Regulation but appears to have been prepared by an individual. The affidavit states it "is in accordance with KRS 186.655 Section F Paragraph 3," however, the auditor has been unable to identify KRS 186.655(F)(3). The auditor has noted that KRS 186.655(1)(f) and (3) relate to the operation of trailers, semitrailers, and recreational vehicles if the owner's bill of sale has been lost, destroyed, or stolen. The affidavit was signed by the owner of the vehicle, and the owner's signature was notarized by a deputy clerk.
- A copy of a window sticker for a vehicle of the same year, make and model registered by the County Clerk's office. The window sticker includes the same VIN as noted on the typed information attached to the temporary tag registration certificate described above. In addition, the window sticker also notes the vehicle was delivered to a dealership located in West Virginia.
- A partially complete Kentucky Application for Registration and Title. Required information that has been omitted from the Application includes truck weight, the title number (which should have been entered by the Clerk's office), the certified inspection section, the odometer disclosure, the total consideration and trade-information, and the seller section.
- A memorandum prepared by the Bell County Sheriff stating he did not find record of a vehicle belonging to the individual matching the year, make, and VIN (as noted on other related documentation) in a search of the National Crime Information Center (NCIC) in all fifty (50) states. (NCIC is a computerized index of criminal justice information, including criminal record history information, fugitives, stolen properties and missing persons).

BELL COUNTY
 BECKY BLEVINS, COUNTY CLERK
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2010
 (Continued)

FINANCIAL STATEMENT FINDINGS (CONTINUED):

2010 - 10 The County Clerk Should Ensure Vehicle Registrations Are Issued In Accordance With KRS (Continued):

This vehicle was also entered into the Automated Vehicle Information System (AVIS) using a usage tax exemption code. No usage tax exemptions identified by KRS 138.470 apply to this vehicle.

KRS 186A.520(2) and (3) states, “[t]he owner or authorized agent of a motor vehicle that meets the definition of a salvage vehicle as set forth in subsection (1) of this section shall... submit an application to the county clerk, on a form prescribed by the Department of Vehicle Regulation, for a salvage title, accompanied by a properly endorsed certificate of title and any lien satisfactions, if any appear, as may be required. (3) The county clerk shall retain a copy of each salvage title application received and shall forward the original and its supporting documents to the Department of Vehicle Regulation in a manner similar to that for handling of an application for a title.”

We recommend the Clerk establish procedures to ensure all requirements of KRS are met before a vehicle is registered and/or titled. The Clerk could consider additional training for office staff so employees are knowledgeable about documentation required to register and title vehicles. We will refer our findings to the Kentucky Transportation Cabinet and the Kentucky Department of Revenue for further review.

County Clerk's Response: It sounds like [the auditor] works for Transportation instead of the auditor's office. Title Branch in Frankfort approves the paperwork and issues the title. What's the problem? Title Branch has certainly received specialized training. They don't deal with anything else. I thought the auditor's office checked the fees.

Auditor's Reply: KRS 186A.125(4) states, “[t]he county clerk shall reject any application upon which the information provided is not legibly printed or typed, the required information is not supplied, not accompanied by required supporting documents, not properly executed with signatures when required, or when the clerk determines that the application is improper or that the applicant is not entitled to registration or title of the vehicle for which registration or title is sought, or in the absence of the required fees.” In addition, Government Auditing Standards require we report instances of noncompliance or other matters identified during audit testing.

2010 - 11 The County Clerk Should Ensure Handicap Placards Are Issued In Accordance With KRS

While reviewing registration certificates, the auditor identified four handicap placards issued without properly completed applications.

- Two handicap placards were issued to the combined names of two individuals, such as “Johndjane Doe.” No documentation to support the disability of either individual was maintained in the Clerk's office. One of the individuals is a part-time employee of the Clerk's office.

BELL COUNTY
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 For The Year Ended December 31, 2010
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FINANCIAL STATEMENT FINDINGS (CONTINUED):

2010 - 11 The County Clerk Should Ensure Handicap Placards Are Issued In Accordance With KRS (Continued):

- Two handicap placards were issued to an individual with a partially complete application. Although section 1 of the application was completed by the applicant, the required section(s) 2 (to be completed by the County Clerk), or 3 (to be completed by a licensed physician) were not.

KRS 189.456(3)(b) and (c) states, “[f]or every person seeking an accessible parking placard, proof of the disability shall be required by... (b) [t]he county clerk issuing the permit ascertaining that the applicant is obviously disabled; or (c) [a] statement from a licensed physician that the applicant is a person whose mobility, flexibility, coordination, respiration, or perceptiveness is significantly reduced by a permanent disability to that person’s arms, legs, lungs, heart, ears, or eyes.”

We recommend the Clerk establish procedures to ensure all requirements of KRS are met before handicap placards are issued. The Clerk should consider additional training for office staff so employees are knowledgeable about documentation required to obtain handicap placards. We will refer our finding to the Kentucky Transportation Cabinet for further review.

County Clerk’s Response: So, now we are going to start harassing the permanently disabled. Once the doctor has signed for them it doesn’t matter when the doctor signed it. It says permanent and totally disabled. Why would anyone want to send them to the doctor again to get additional signatures? Remember the doctor has already signed a total and permanent disability. We are only renewing the placard. There again [the auditor] didn’t provide a name. However, [the auditor] should have looked to see if it was a first time or a renewal. Why would anyone want to put a disabled person through that harassment and expense? There is no fee for handicap placards so, why is the auditor’s office trying to tell us how to issue the placards. My understanding that is under transportations guidelines. [sic]

Auditor’s Reply: There was no properly completed Application For Disabled Persons Special Parking Permit signed by a physician for the individual(s) identified in the finding. The four (4) placards identified were the first issues to the individuals, and were not renewals. In addition, the auditor verified the individuals had not been issued handicap license plates prior to being issued the handicap placards. One of the individuals issued two of these handicap placards is the same part-time employee identified in comments #2010-15 and #2010-16. Auditors were unable to discuss this finding with the County Clerk because she did not appear for her scheduled exit conference. It is the policy of the Auditor of Public Accounts to exclude identifying details from audit comments to preserve the anonymity of taxpayers. Specific details, including copies of supporting documentation, will be provided to the Clerk upon request.

BELL COUNTY
BECKY BLEVINS, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2010
(Continued)

FINANCIAL STATEMENT FINDINGS (CONTINUED):

2010 - 12 Incorrect Entries In The AVIS System Circumvented Delinquent Ad Valorem Taxes

During the course of the audit, we identified an incorrect entry in the Automated Vehicle Information System (AVIS) that resulted in the circumvention of payment of delinquent ad valorem taxes.

Before an individual can title or register any vehicle in their name, the AVIS system requires that all due and delinquent ad valorem taxes related to the individual's social security number be paid. A former county Magistrate purchased a vehicle on December 14, 2010. The Application for Kentucky Title and Registration correctly reflected the former Magistrate's social security number; however, when the purchase was entered in the AVIS system, one digit of the former Magistrate's social security number was entered incorrectly. If the former Magistrate's social security number had been entered correctly, he would have been required by the AVIS system to pay \$9 in delinquent ad valorem taxes on other vehicles he owned before he could have transferred the purchased vehicle into his name.

KRS 186A.145 prohibits the County Clerk from processing an application for Kentucky title and registration from or to any Kentucky resident who has delinquent motor vehicle ad valorem property taxes. Furthermore, KRS 186A.275 states, "[n]o county clerk or other person who is authorized to utilize the automated vehicle registration and titling system, shall knowingly enter into such system, information enabling the system to produce a certificate of title and registration, certificate of registration, or certificate of title... unless he has in his official custody at the time he enters such information into the system, an application which he believes to be bona fide and in proper form..." Accordingly, effective controls would require that information entered into the AVIS system agrees to the information provided on the Application.

We recommend the Clerk establish procedures to ensure all requirements of KRS are met when entries are made in AVIS, which includes entering information accurately. We will refer our findings to the Kentucky Transportation Cabinet and the Kentucky Department of Revenue for further review.

County Clerk's Response: The auditor did not provide us with any information on this transaction. [The auditor] provided no name, no vehicle description, etc. How can we answer this? We have checked all the former magistrates that we have had in the last twenty years and not one of them owe any delinquent property taxes.

Auditor's Reply: Auditors were unable to discuss this finding with the County Clerk because she did not appear for her scheduled exit conference. It is the policy of the Auditor of Public Accounts to exclude identifying details from audit comments to preserve the anonymity of taxpayers. Specific details, including copies of supporting documentation, will be provided to the Clerk upon request.

BELL COUNTY
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COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2010
(Continued)

FINANCIAL STATEMENT FINDINGS (CONTINUED):

2010 - 13 Incorrect Entries In The AVIS System Reduced Usage Tax Due

During the course of the audit, we identified an entry in the Automated Vehicle Information System (AVIS) that resulted in the reduction of usage tax due. In August, the Clerk's office processed paperwork for the purchase of a vehicle with trade-in credit. When the entry was made into the AVIS system, an out-of-state title receipt was generated with a usage tax value of \$32,925; however, the taxpayer was only charged \$6 in usage taxes. A subsequent entry was made in the AVIS system to register the vehicle using a "name change" code; however, the Clerk's office did not change any data/information in the owner's name. This entry allowed the Clerk's office to assign a valid license plate and decal to the purchased vehicle, but appears to have prevented the AVIS system from charging the applicable usage tax amount. The Application for Kentucky Certificate of Title and Registration (Application) submitted to the Kentucky Transportation Cabinet, noted the sale price of the vehicle was \$32,700, with trade-in credit of \$29,100, so that applicable usage tax value would have been \$3,600, resulting in usage taxes totaling \$216. Although the Clerk's office has the discretion to enter the lower of affidavit value (as reflected on the Application), or retail/book value, it would appear that both permissible options would have resulted in usage tax of approximately \$200. Since the dealer remitted payment to the Clerk's office for the applicable usage taxes due, these entries created an overpayment between the amount remitted from the dealer and the amount charged to register and title the vehicle. The overpayment was not properly recorded and is one instance described in comment 2010-04.

KRS 139.200 fixes the usage tax rate for vehicle purchases at the rate of six percent (6%).

We recommend the Clerk establish procedures to ensure all requirements of KRS are met when entries are made in AVIS. The Clerk should consider additional training for office staff so employees are knowledgeable about the proper codes and/or fees associated with AVIS entries. We will refer our findings to the Kentucky Transportation Cabinet and the Kentucky Department of Revenue for further review.

County Clerk's Response: This statement does not make any sense because if you use the code NC which stands for name change the computer does not charge taxes at all. If a deputy clerk uses the NC code they send proper documentation to Revenue showing the name change. If [the auditor] could have asked us about it or provided a name, a date, a plate number, anything then we could respond to it. There again [the auditor] provided us with no information.

Auditor's Reply: We have consulted with the Kentucky Department of Revenue who agreed that the proper amount of usage tax was not charged. Auditors were unable to discuss this finding with the County Clerk because she did not appear for her scheduled exit conference. It is the policy of the Auditor of Public Accounts to exclude identifying details from audit comments to preserve the anonymity of taxpayers. Specific details, including copies of supporting documentation, will be provided to the Clerk upon request.

BELL COUNTY
BECKY BLEVINS, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2010
(Continued)

FINANCIAL STATEMENT FINDINGS (CONTINUED):

2010 - 14 Improper Entries In The AVIS System Reduced License Plate Fees

During the course of the audit, we identified two (2) instances in which entries in the Automated Vehicle Information System (AVIS) resulted in the issuance of license plates at lesser fees. Explanations of these findings are as follows:

- In June, the Clerk's office processed paperwork for the purchase of a vehicle in which the traded vehicle had a valid handicap veteran license plate. The Clerk's office properly charged the taxpayer \$3 to move, or reissue, the license plate and decal from his trade vehicle to the purchased vehicle. However, as the paperwork was being processed, the "reissue" code was used improperly to assign a new handicap license plate and decal to the purchased vehicle for \$3, instead of the correct fees of \$26. Then, the new plate and decal were replaced with the plate and decal from the traded vehicle. Throughout this series of entries, the taxpayer was charged \$6 for registration fees; \$3 to move his plate from the trade vehicle to the new vehicle and \$3 for a new decal. The taxpayer should have been charged \$29 for registration fees; \$3 to move his plate from the trade vehicle to the new vehicle and \$26 for a new decal. These entries removed one license plate and two decals from the Clerk's inventory, even though only one decal was needed to register the taxpayer's vehicle. The cost for one license plate and two decals should have been \$52 (\$26 each); however, the improper use of the reissue code assigned the license plate and two decals for \$3. Although the plate and decal were replaced immediately after being issued, neither were re-entered in the Clerk's inventory as available, to be used at a later date.
- In December, the Clerk's office processed paperwork for the purchase of a vehicle in which the traded vehicle had a valid horse council license plate. The Clerk's office properly charged the taxpayer \$3 to move, or reissue, the license plate and decal from his trade vehicle to the purchased vehicle; however, the taxpayer was charged for a new horse council plate and decal unnecessarily. On the next day, the new horse council plate and decal were replaced by a coal miner plate. The Clerk's office improperly used a "reissue" code to assign the coal miner plate to the purchased vehicle for \$3, instead of \$44. Throughout this series of entries, the taxpayer was charged the correct fees; however, three plates and four decals were removed from the Clerk's inventory even though it was only necessary to remove two plates and three decals to properly register and title the taxpayer's vehicle. The cost for one special license plate and decal should have been \$44; however, the improper use of the reissue code removed a plate and decal for \$3.

KRS 186.040 and 186.162 establishes the applicable fees to be charged for initial issuance of license plates and decals. KRS 186.164(6) allows that, "[u]pon the sale, transfer or termination of a lease of a vehicle with any special license plate... the owner or lessee shall remove the special plate and return it and the certificate of registration to the county clerk... If the owner or lessee requests, the county clerk shall reissue the special plate upon payment of a three dollar (\$3) county clerk fee for use on any other vehicle of the same classification and category owned, leased, or acquired by the person during the current licensing period."

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FINANCIAL STATEMENT FINDINGS (CONTINUED):

2010 - 14 Improper Entries In The AVIS System Reduced License Plate Fees (Continued):

We recommend the Clerk establish procedures to ensure all requirements of KRS are met when entries are made in AVIS. The Clerk should consider additional training for office staff so employees are knowledgeable about the proper codes and/or fees associated with AVIS entries. We will refer our findings to the Kentucky Transportation Cabinet and the Kentucky Department of Revenue for further review.

County Clerk's Response: This is a totally incorrect statement. The fee is \$3.00 to take a plate off. AVIS require us to put a regular plate back on the vehicle. This results in the use of one tag and one decal being used. The fee to re-issue the plate to the new vehicle is \$3.00. How can you use a issue code and charge them a fee for a new plate when you are re-issuing the plate they have already paid for.

Auditor's Reply: We agree that the correct fee to reissue a special plate is \$3; however, in the instance identified the Clerk's office issued a new plate that should have cost \$26 with a reissue code that only charged the taxpayer \$3.

County Clerk's Response: Again the correct fee to remove a plate is \$3.00. The customer never used the horse council plate. When he got home his wife wanted a coal tag instead of the Horse Council Tag. The customer had already paid the issue fee of \$59.00 for the horse council tag. How can you ask us to turn around and charge the customer another new plate fee of \$44.00 when he had already paid \$59.00 for a tag that was never put on his vehicle. Talk about unfair, that's about as unfair as you can get.

Auditor's Reply: Fees for license plates and decals are established within KRS 186.040 and 186.162. The AVIS System will automatically calculate the applicable fees when entries are correctly made in AVIS. In the instance identified, the Clerk's office entered the wrong code, which reduced the amount of fees that should have been charged to the taxpayer.

2010 - 15 The County Clerk Should Determine If A Part Time Employee is Eligible For County Retirement

During the course of the audit, we determined a part-time employee's wages could be eligible for retirement withholdings. The part-time employee did not maintain scheduled working hours throughout the calendar year because she is employed full-time by a local school district. Review of the employee's timecards noted she frequently worked after business hours, on weekends and during summer months. The employee worked an average of ninety-five (95) hours per month, including working nineteen (19) consecutive days in June and twenty-two (22) of twenty-five (25) consecutive days in July.

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 COMMENTS AND RECOMMENDATIONS
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FINANCIAL STATEMENT FINDINGS (CONTINUED):

2010 - 15 The County Clerk Should Determine If A Part Time Employee is Eligible For County Retirement (Continued):

KRS 61.680(6) states, “any member of the Kentucky Employees Retirement System or County Employees Retirement System who is working in more than one (1) position covered by the same retirement system, shall have his wages and contributions consolidated and his retirement account administered as a single account. If part-time positions are involved, an accumulation of all hours worked within the same retirement system shall be used to determine eligibility under KRS 61.510(21).” KRS 61.510(21) defines eligibility as those “positions that average one hundred (100) or more hours per month, determined by using the number of months actually worked within a calendar or fiscal year.”

As a result, the employee could have been subject to retirement withholdings. We recommend the Clerk consult with Kentucky Retirement Systems to determine whether this employee is eligible for retirement.

County Clerk’s Response: A CPA does our payroll including all deductions. He also audits for the state auditor’s office. The worker is a seasonal worker during the summer months and continues to work some for us part time during the rest of the year. Wouldn’t you think since he audits for the state and is a CPA he knows what deductions are required. That’s the reason we pay him to take care of the payroll.

Auditor’s Reply: The CPA employed by the County Clerk is not an employee of the Auditor of Public Accounts (APA), and does not perform audits on behalf of the APA. KRS 61.510(21)(a) defines seasonal positions as, “temporary in duration... which coincide [] with a particular season or seasons of the year and which may recur regularly from year to year, the period of time shall not exceed nine (9) months.” Therefore, since the part time employee has worked more than twenty-four (24) consecutive months, she is not seasonal.

2010 - 16 The County Clerk Should Consult With The County Attorney And Cumberland Valley Regional Board Of Ethics About The County’s Nepotism Policy

Review of the Clerk’s payroll records has noted a relative of the Clerk is a part-time employee who earns \$11 per hour. This part-time employee was hired during calendar year 2007. Two full-time employees, hired during March 2007 and September 2008 earn \$9.75 and \$8.75, respectively. The full-time employees work regular schedules during office hours, while the part-time employee primarily works evenings and weekends, frequently after office hours, and during summer months.

The County’s Nepotism Policy states, “[n]o county government officer or county government employee shall act in his/her official capacity to hire or cause to be hired any member of his/her immediate family at an hourly pay rate or with benefits in excess of any other employee with similar job duties, responsibilities, and qualification requirements.” The Regional Board of Ethics is responsible for the investigations of possible violations and impositions of penalties as provided in the Bell County Code of Ethics.

BELL COUNTY
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 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2010
 (Continued)

FINANCIAL STATEMENT FINDINGS (CONTINUED):

2010 - 16 The County Clerk Should Consult With The County Attorney And Cumberland Valley Regional Board Of Ethics About The County's Nepotism Policy (Continued):

We recommend the Clerk consult with the County Attorney and the Cumberland Valley Regional Board of Ethics for their review. We are also referring this matter to the Cumberland Valley Regional Board of Ethics.

County Clerk's Response: The employee in question has over 14 years experience in the county clerk's office. Time and experience should count for something. Everybody knows that an employee with experience and a college degree receives more pay than a new employee with no experience and no degree.

Auditor's Reply: We have referred this matter to the Cumberland Valley Regional Board of Ethics for comparison of the part time employee's hourly pay rate, benefits, job duties, responsibilities, and qualifications to other full time employees.

2010 - 17 The County Clerk Should Ensure Invoices Are Paid In A Timely Manner

While reviewing expenditures, we noted four (4) payments, totaling \$18,060, made to a software company were not remitted timely. The following schedule displays these payments:

<u>Item</u>	<u>Amount Due</u>	<u>Monthly Due Dates</u>	<u>Date Paid</u>
Monthly payment for hardware service & software license and service agreements for:			
January, February & March 2010	\$ 5,418	01/16, 02/16 & 03/16/10	04/07/10
April, May & June 2010	5,418	04/16, 05/16, & 06/16/10	06/14/10
July & August 2010	3,312	07/16 & 08/16/10	09/09/10
September & October 2010	3,912	08/16, 09/16 & 10/16/10	11/04/10
	<u>\$ 18,060</u>		

KRS 65.140(2) states, "unless the purchaser and vendor otherwise contract, all bills for goods and services shall be paid within thirty (30) working days of a vendor's invoice." In consideration of this criterion, four (4) invoices listed above were not paid in a timely manner.

We recommend the Clerk comply with KRS 65.140(2) by paying invoices in a timely manner.

County Clerk's Response: The software the vendor sold us was not working properly, we were withholding payment in order to get them to correct the problem. We don't like to waste taxpayer's money on software that doesn't work so, we withheld payment until the problem was corrected. By withholding payment we managed to get their attention and got the problem resolved. You didn't mention that every other bill was paid on time in a timely manner.

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FINANCIAL STATEMENT FINDINGS (CONTINUED):

2010 - 17 The County Clerk Should Ensure Invoices Are Paid In A Timely Manner (Continued):

Auditor's Reply: The Clerk informed the auditor that the voter registration imaging system was not working properly; however, the monthly payment for the voter registration portion was only \$300 of the \$1,806 monthly payment (refer to note 6. for additional details). In addition, by review of the schedule above, the Clerk made four (4) payments throughout the year, all of which would have paid outstanding invoices as of the check date(s). This finding was noted in the calendar year 2009 audit.

2010 - 18 The County Clerk's Office Lacks Adequate Segregation Of Duties Over Receipts And Deposits In The Deed Room

While reviewing the County Clerk's internal control procedures, we identified a lack of adequate segregation of duties in the deed room which includes delinquent tax receipts. One employee is primarily responsible for accepting payments from customers, recording receipts, preparing the checkout sheet for deed room and delinquent tax receipts, and preparing various monthly deed room reports. The onsite bookkeeper is also responsible for accepting deed room and delinquent payments from customers, recording receipts, preparing the daily checkout sheet for the entire office (which includes the deed room checkout sheet totals), preparing the daily deposit, and preparing the delinquent tax report. The Clerk had properly designed compensating controls that would have reduced the risks associated with this weakness; however, instances in which deposits were not properly reconciled (See Comments 2010-03 and 2010-04) demonstrated the Clerk's compensating controls did not operate as designed.

In order for properly designed compensating controls to be effective, all procedures must be implemented. The control to reconcile cash and checks on the cash register tape to cash and checks on hand should be performed. We recommend the Clerk ensure all steps of internal and compensating control procedures are properly implemented, in order to reduce risks associated with the lack of adequate segregation of duties over deed room and delinquent tax receipts.

County Clerk's Response: The bookkeeper checks behind the deed room employee. The deed room employee takes the money and provides a recap sheet of all her transactions for that day. Then the bookkeeper checks her totals and receipts.

Auditor's Reply: The bookkeeper's duties are not adequately segregated in regard to deed room receipts. Audit findings determined compensating controls did not operate effectively.

