



Auditor of Public Accounts  
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**FOR IMMEDIATE RELEASE**

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**Edelen Releases Audit of Former Bell Clerk's Fee Account**

**FRANKFORT, Ky.** – State Auditor Adam Edelen today released the audit of the 2013 financial statement of former Bell County Clerk Becky Blevins. State law requires the auditor to conduct annual audits of county clerks and sheriffs.

Recent changes in auditing standards require the auditor's letter to communicate whether the financial statement presents fairly the revenues, expenditures and excess fees of the former Bell County Clerk in accordance with generally accepted accounting principles in the United States. The report found that the financial statement of the Clerk did not follow this format; however, the Clerk's financial statement is fairly presented in conformity with the regulatory basis of accounting, which is an acceptable reporting methodology. This reporting methodology is followed for all 120 clerk audits in Kentucky.

As part of the audit process, the auditor must comment on non-compliance with laws, regulations, contracts and grants. The auditor must also comment on material weaknesses involving the internal control over financial operations and reporting.

The audit contains the following comments:

**The former County clerk should have maintained documentation sufficient to complete an audit and ensured receipts and disbursements ledgers were accurate.** The former County Clerk did not maintain or provide access to all the necessary records for the calendar year 2013 fee account. The following records were not available:

- Individual Earning Records and Timesheets (see comment # 2013-003)
- Kentucky Retirement Reports
- Delinquent Tax Reports
- Affordable Housing Trust Fund (AHTF) Reports
- Bank Statements for some months
- Monthly Bank Reconciliations

As a result, this information had to be obtained from outside sources. The Kentucky Retirement System provided the Kentucky Retirement Reports and the Kentucky Department of Revenue provided Delinquent Tax and AHTF Reports. Bank statements were obtained from the financial institution.

KRS 43.080(2) states, in part, that “the auditor shall have access at all times to the papers, books, and records... of any county officer who receives or disburses county funds.” In addition, effective internal controls require records be retained to ensure operations of the former clerk’s office are proper and adequately documented.

In addition, the former County Clerk’s receipts and disbursements ledgers were not accurate and required numerous audit adjustments and reclassifications. The former County Clerk did not reconcile these reports listed above to the receipts and disbursements ledgers. After obtaining the reports above, the following exceptions were noted:

- The former County Clerk’s 4<sup>th</sup> quarterly financial reported Affordable Housing Trust Fund (AHTF) receipts of \$18,834 and disbursements of \$23,982. After obtaining and reviewing AHTF reports from Department of Revenue Finance and Administration Cabinet, auditor decreased disbursements by \$4,830 which was an overpayment to state of \$3,367 and legal process paid to state in error as AHTF monies of \$1,463 for a total of \$19,152. The yearly total posted to the receipts ledger was \$318 less than the yearly total posted to the disbursements ledger after adjustment.
- Delinquent Reports obtained from Department of Revenue reports \$1,031 less in revenue than the Former County Clerk’s Receipts Ledger. Also, 5 delinquent tax checks did not clear the bank within 20 calendar days.
- The former County Clerk did not provide all bank statements or any monthly bank reconciliations to the auditors. Auditor contacted financial institution to obtain necessary statements to perform the audit.
- Payroll expenses reported on the 4<sup>th</sup> quarterly report were not accurate. The former County Clerk’s salary was reflected at net of withholdings and deductions, and employer’s withholdings for federal income tax, social security and Medicare were included with deputies’ salaries.

The above conditions resulted from the combination of inadequate segregation of duties and weakly designed and implemented internal controls as described in Comment 2013-002. Therefore, inaccurate reporting or misappropriation of receipts or disbursements could have occurred and not been detected or corrected in a timely manner.

The former County Clerk should have complied with KRS 43.080(2), by maintaining all original records necessary to complete the audit. The former Clerk should have also strengthened internal controls to ensure all records are properly maintained.

*Former County Clerk’s response: No response.*

**The former County Clerk’s office lacked adequate segregation of duties over accounting and reporting functions for receipts, disbursements, payroll, and reconciliations.** The former County Clerk’s office lacked adequate segregation of duties over the accounting and reporting functions for receipts, disbursements, payroll, and reconciliations of the Clerk’s office. The former County Clerk was responsible for opening mail, preparing monthly reports, preparing, signing and distributing checks, as well as reviewing reports and reconciliations. During the calendar year, the former County Clerk had several in-house bookkeepers. These

bookkeepers collected funds on front line and were responsible for reconciling receipts at the end of the day, prepared the daily deposit and posted the receipts to the receipt ledger. However, the former County Clerk also had access to the receipts and disbursements ledgers and could make entries. As stated in Comment 2013-001, several original documents were missing from the former County Clerk's office, therefore, no documentation was available to show review by bookkeeper or a deputy occurred during the audit period to document compensating controls.

A proper segregation of duties over the accounting and reporting functions is essential for accurate financial reporting and protection of employees in the normal course of performing their daily responsibilities. The lack of adequate segregation of duties increases the risk that errors could occur and not be detected.

The former County Clerk should have separated the duties involved in receiving cash, preparing deposits, writing checks, posting to the receipt and disbursement ledgers, preparing the monthly bank reconciliation, and preparing financial reports. If, due to budget constraints and limited staff size, that is not feasible, strong oversight over these areas should have occurred and involved an employee not performing any of those functions. If the former County Clerk chose to implement compensating controls, these procedures should have been documented through initials and dates on source documentation.

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

**The former County Clerk should have maintained individual earning records and timesheets and all wages should be reported on W-2.** For calendar year 2013, Individual Earning Records or employees' timesheets of the former County Clerk's office could not be located. In addition, the former County Clerk's training incentive was not included at year end on the Wage and Tax Statement (W-2). KRS 337.320(1) states, "Every employer shall keep a record of... (b)The hours worked each day and each week by each employee..." Federal and State laws require employees to keep an accurate record of time worked in order to calculate employee pay and benefits. Furthermore, all wages, tips, and other compensation should have been included on the W-2 at year end. By not including all wages, tips, and other compensation on the W-2, amount withheld for taxes was also incorrect. Due to the former County Clerk not maintaining adequate payroll records she did not comply with federal and state regulations.

The former County Clerk should have required all employees, full time or part-time, to prepare a timesheet each pay period indicating the actual hours worked and any sick or vacation leave taken. The timesheet should have been signed by the employee indicating agreement with the hours worked, and reviewed and signed by their immediate supervisor or the County Clerk. We also recommend the former County Clerk amend her W-2 to report her training incentive.

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

**The former County Clerk had \$106 in disallowed disbursements.** The former County Clerk had \$106 in disallowed disbursements for lack of supporting documentation. Good internal controls dictate that the former clerk should have monitored disbursements to ensure supporting documentation was maintained for all disbursements. In Funk vs. Milliken, 317 S.W.2d 499 (KY 1958), Kentucky's highest court ruled that county fee officials' expenditures of public funds will be allowable only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not personal expenses. Due to the missing invoice, we were unable to determine if the funds paid were necessary and beneficial to the public. The former County Clerk should deposit personal funds of \$106 to reimburse the 2013 fee account for this disallowed disbursement.

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

**The former County Clerk should have submitted the annual settlement to the Fiscal Court.** Per review of Fiscal Court minutes, on February 11, 2014 the former County Clerk submitted an annual settlement for calendar year 2013 and excess fees. However, a copy of the former Clerk's annual settlement was not located in the former Clerk's office, the County Judge's office, the Treasurer's office or as an attachment for the Fiscal Court minutes. KRS 64.152(1)(2) states, "In counties containing a population of less than seventy-five thousand (75,000) the county clerk shall provide the fiscal court by March 15 of each year a complete settlement for the preceding calendar year of all funds received by his office in an official capacity or for official services and of all expenditures of his office including his salary, compensation of deputies and assistants and reasonable expenses. At the time of filing the statement required by subsection (1) of this section, the clerk shall pay to the fiscal court any income of his office, including income from investments, which exceeds the sum of his maximum salary as permitted by the Constitution and other reasonable expenses, including compensation of deputies and assistants." Without a complete statement of receipts and disbursements, the fiscal court cannot be sure that correct excess fees have been remitted. The former County Clerk should have presented the annual settlement to the Fiscal Court in accordance with KRS 64.152.

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

**The former County clerk should have settled calendar year 2009 receivables and liabilities due per audit.** Follow up of 2009 audit findings determined the former County Clerk's deficit has not been properly resolved. The following receivables and liabilities remain unsettled:

**Receivables:**

Unrecorded Overpayments Due To Taxpayers	\$	5,926
Unrecorded Receipts		219
Disallowed Disbursements (duplicate meal reimbursement and unsupported cleaning wages)		2,274
Training Refunds		430
Amount Due Personally From Clerk		8,849
Transfer due from 2012 fee account		1,623
<b>Total Receivables:</b>	<b>\$</b>	<b>10,472</b>

**Liabilities:**

Net Remaining Excess Fees Due To County	\$	4,174
Unrecorded Overpayments Due To Taxpayers		5,926
Kentucky State Treasurer		14
Kentucky County Clerk's Association		300
Refund Due Taxpayer		21
Withholding Due To Employee		31
Travel Expense Due To Employee		6
<b>Total Liabilities:</b>	<b>\$</b>	<b>10,472</b>

\* 2012 fee account is closed. Excess fees were overpaid to Fiscal Court before this transfer was made to the 2009 fee account. Former County Clerk should ask for reimbursement from Fiscal Court.

Good internal controls dictate that all receivables and liabilities are settled for each fee year when an official makes their annual settlement with fiscal court.

Since the former County Clerk's 2009 fee account has been closed, we recommend the former County Clerk open an escrow account and personally deposit \$8,849 to cover overpayments due to taxpayers, unrecorded receipts, disallowed disbursements, and training refunds. The former County Clerk should also ensure the transfer is made from the 2012 fee monies (see \* above). After these receivables are deposited, the former County Clerk should remit the remaining liabilities detailed above. We have provided the former County Clerk a schedule of taxpayers due overpayments.

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

**The former County Clerk should have settled calendar year 2010 receivables and liabilities due per audit.** Follow up of 2010 audit findings determined the former County Clerk's deficit has not been properly resolved. The following receivables and liabilities remain unsettled:

**Receivables:**

Unrecorded Overpayments Due To Taxpayers	\$	14,431
Unrecorded Receipts		203
Disallowed Disbursements (Duplicate Payroll & FICA)		167
Amount Due Personally From Clerk		<u>14,801</u>
Transfer due from 2012 fee account		40
Excess Fees Overpaid (Due From) County		<u>215</u>
<b>Total Receivables:</b>	<b>\$</b>	<b><u>15,056</u></b>

**Liabilities:**

Unrecorded Overpayments Due To Taxpayers	\$	14,431
Kentucky State Treasurer		25
Kentucky County Clerk's Association		600
<b>Total Liabilities:</b>	<b>\$</b>	<b><u>15,056</u></b>

\* 2012 fee account is closed. Excess fees were overpaid to Fiscal Court before this transfer was made to the 2010 fee account. Former County Clerk should ask for reimbursement from Fiscal Court.

Good internal controls dictate that all receivables and liabilities are settled for each fee year when an official makes their annual settlement with fiscal court.

Since the former County Clerk's 2010 fee account has been closed, we recommend the former County Clerk open an escrow account and personally deposit \$14,801 to cover overpayments due to taxpayers, unrecorded receipts and disallowed disbursements. The former County Clerk should also ensure the transfer is made from the 2012 fee monies (see \* above) and the excess fee overpayment to the County is refunded. After these receivables are deposited, the former County Clerk should remit the remaining liabilities detailed above. We have provided the former County Clerk a schedule of taxpayers due overpayments.

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

**The former County Clerk should have settled calendar year 2011 receivables and liabilities due per audit.** Follow up of the 2011 audit findings determined the former County

Clerk's deficit has not been properly resolved. Although the former County Clerk made a personal deposit to cover outstanding liabilities, the overpayment due to the taxpayer, and the additional salary due to the former County Clerk has not yet been remitted. The following receivables and liabilities remain unsettled:

**Receivables:**

Excess Fees Overpaid (Due From) County	\$	437
Transfer due from 2012 fee account		6
<b>Total Receivables:</b>	<b>\$</b>	<b>443</b>

**Liabilities:**

Overpayment Due To Taxpayer:	\$	91
Additional Salary Due To Clerk		300
Excess Personal Deposit Due To Clerk		52
<b>Total Liabilities:</b>	<b>\$</b>	<b>443</b>

\* 2012 fee account is closed. Excess fees were overpaid to Fiscal Court before this transfer was made to the 2011 fee account. Former County Clerk should ask for reimbursement from Fiscal Court.

Good internal controls dictate that all receivables and liabilities are settled for each fee year when an official makes their annual settlement with fiscal court.

Since the former County Clerk's 2011 fee account has been closed, we recommend the former County Clerk open an escrow account and deposit the excess fee overpayment due from the County, and the transfer due from the 2012 fee monies (see \* above) . After these receivables are deposited, the former County Clerk should remit the remaining liabilities as detailed above.

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

**The former County Clerk should have settled calendar year 2012 receivables and liabilities due per audit.** Follow up of 2012 audit findings determined the former Clerk's 2012 receivables and liabilities remained unsettled:

Balance as of May 31, 2015 \$ 3

**Receivables:**

Due From 2013 Fee Account		
Erroneous Payroll Transfer	\$ 5,037	
Reimbursement for 2013 Lease Payments	1,806	
Reimbursement for 2013 Service Agreement	3,602	
Coal Severance Funds	4,437	
December 2012 FICA Reimbursement	2,508	
Total Due from 2013 Fee Account		17,390
Delinquent Tax Overpayment Due From Board of Education		298
<b>Total Bank Balance and Receivables</b>		<b>\$ 17,691</b>

**Liabilities:**

Due to County for Excess Fees	\$ 15,334	
Due to 2013 Fee Account for Erroneous Transfer		688
Due To Escrow Account(s)		
For 2009 Fee Account Business	1,623	
For 2010 Fee Account Business	40	
For 2011 Fee Account Business	6	
Due to Escrow Account(s)		1,669
<b>Total Liabilities</b>		<b>\$ 17,691</b>

Good internal controls dictate that all receivables and liabilities are settled for each fee year when an official makes their annual settlement with fiscal court. The receivables are for amounts that were deposited into the 2013 fee acct incorrectly.

We recommend the former County Clerk settle the 2012 Fee Account.

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

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

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

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