



Auditor of Public Accounts  
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**FOR IMMEDIATE RELEASE**

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

**FRANKFORT, Ky.** – State Auditor Adam Edelen today released the audit of the 2014 financial statement of former Allen County Clerk Beverly Calvert. 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 Allen 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's office lacked adequate segregation of duties over disbursements.** The former County Clerk's office lacked adequate segregation of duties over disbursements without sufficient compensating controls. Deputies preparing daily/weekly reports also prepare and sign checks. Lack of segregation of duties increases the risk of misappropriation of assets, errors, and inaccurate financial reporting. If segregation is not possible compensating controls or independent checks is needed to offset this lack of segregation. The former County Clerk had implemented compensating controls of reviewing reports and comparing with checks for payment, however, these compensating controls were ineffective.

As a result, during calendar year 2014 the former County Clerk underpaid the fiscal court \$15,190 in deed transfer taxes due to a calculation error in reports (see report comment 2014-

003), and underpaid the Allen County Health Department \$8,276 in delinquent taxes because no check was written for payment for June 2014 collections (See report comment 2014-004).

We recommend the County Clerk's office implement compensating controls of actually reviewing reports and comparing to checks for payment.

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

**The former County Clerk had \$170 in disallowed disbursements.** The former County Clerk had disallowed disbursements for credit card penalties and interest fees charged in the amount of \$170 during calendar year 2014 which were paid from the fee account. Paying penalties and interest fees which are not necessary or beneficial to the public reduces the amount of operating funds for the County Clerk's office, or reduces the amount of excess fees paid to the Fiscal Court, or both. Good internal controls dictate that the County Clerk should monitor disbursements to ensure compliance with state laws and regulations and to ensure payments are timely to avoid penalties. In Funk vs. Milliken, 317 S.W.2d 499 (KY 1958), Kentucky's highest court reaffirmed the rule 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. The credit card penalty and interest fee charges are not beneficial to the public.

We recommend the former County Clerk deposit personal funds of \$170 to reimburse the 2014 fee account for these disallowed disbursements.

*Former County Clerk's response: Personal credit card, overlooked fees to be personal. I will pay County Treasurer today.*

**The former County Clerk should have prepared deed transfer tax reports correctly and paid the County Treasurer in compliance with KRS 142.050(4).** The former County Clerk should have prepared deed transfer tax reports correctly for the first two quarters of calendar year 2014 and paid the correct amounts to the County Treasurer in compliance with KRS 142.050(4). According to KRS 142.050(4), "The county clerk shall retain five percent (5%) as his fee for collection and remit the balance every three (3) months to the county treasurer, who shall deposit the money in the county general fund." The former County Clerk incorrectly prepared deed transfer reports for the first two quarters only including one month of collections on each instead of three months of collections. This resulted in an underpayment of deed transfer taxes of \$15,190 to the county treasurer. Since the former County Clerk has already paid her excess fees to the fiscal court for calendar year 2014, this amount will be deducted from excess fees paid in the audit report and we will inform the County Judge/Executive and County Treasurer that an adjustment to the county's receipts ledger should be made.

We recommend that deed transfer tax reports be calculated correctly and any amounts owed be paid to the county treasurer in compliance with KRS 142.050(4).

*Former County Clerk's response: This was an error on my part of not verifying dates.*

**The former County Clerk should have paid the Allen County Health Department for delinquent taxes collected in June 2014 in compliance with KRS 134.126(4)(c).** The former

County Clerk should have paid the Allen County Health Department for delinquent taxes collected in June 2014. According to KRS 134.126(4)(c), “The county clerk shall allocate payments among the various entities entitled to a portion of the payment. The county clerk shall, at the time he or she makes the reports required by subsection (3) of this section: ... (c) Pay to the authorized officers of the taxing districts the amount due each taxing district”. The former County Clerk did not prepare a check for Allen County Health Department and a review of the delinquent tax report for June 2014 and a comparison to checks written was not performed. This resulted in an underpayment of delinquent taxes allocated to the Allen County Health Department of \$8,276. Since the former County Clerk has already paid her excess fees to the fiscal court for calendar year 2014, this amount will be deducted from excess fees paid in the audit report and we will inform the County Judge/Executive and County Treasurer that an adjustment be made to the county’s receipt ledger and the Fiscal Court should pay the Allen County Health Department.

We recommend that delinquent tax reports be reviewed and compared to checks that are written for payment to ensure the various entities receive their allocation of delinquent taxes collected in compliance with KRS 134.126(4)(c).

*Former County Clerk’s response: This was an error on my part of not comparing checks to the report.*

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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