



Auditor of Public Accounts  
Mike Harmon

**FOR IMMEDIATE RELEASE**

**Contact: Michael Goins**  
[Michael.Goins@ky.gov](mailto:Michael.Goins@ky.gov)  
**502.564.5841**  
**502.209.2867**

### **Harmon Releases Audit of Former Elliott County Clerk's Fee Account**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2015 financial statement of former Elliott County Clerk Shelia Blevins. State law requires the auditor to conduct annual audits of county clerks and sheriffs.

Auditing standards require the auditor's letter to communicate whether the financial statement presents fairly the receipts, disbursements, and excess fees of the former Elliott County Clerk in accordance with accounting principles generally accepted in the United States of America. The clerk's financial statement did not follow this format. However, the clerk's financial statement is fairly presented in conformity with the regulatory basis of accounting, which is an acceptable reporting methodology. This reporting methodology is followed for all 120 clerk audits in Kentucky.

As part of the audit process, the auditor must comment on noncompliance 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 2015 fee account had four missing daily deposits totaling \$15,607.** Daily receipts for January 26, January 30, February 2, and February 3, 2015, were not deposited to the former county clerk's 2015 fee account. The former county clerk deposited these funds into the 2014 fee account to cover shortages in that account. \$15,607 was not deposited to the 2015 fee account. Because the 2015 fee account did not receive all funds owed to it, the account is currently unable to pay all liabilities owed. Comment 2015-008 and the Schedule Of Excess Liabilities Over Assets detail the remaining liabilities owed from the 2015 fee account.

The county clerk is required to deposit all funds received to the correct fee account in order to be able to pay the appropriate amounts to various other state agencies. Failure to deposit all funds could be an indication of theft. We recommend the county clerk's office deposit each day's receipts to the correct fee account.

*Former County Clerk Shelia Blevins' response: The clerk did not do the daily deposits. The clerk was, however, responsible for daily deposits. Due to lack of observation of this situation, I cannot account for the whereabouts of these deposits.*

**The former county clerk has a known deficit of \$6,189 in the 2015 fee account.** As stated in Comment 2015-001, the former county clerk had missing daily deposits of \$15,607. The missing daily deposits were deposited to the 2014 fee account to cover shortages in that account. The 2014 fee account returned \$8,990, leaving an expected deficit of \$6,617 in the 2015 fee account. However, because of some daily deposit overages during the year, the 2015 fee account ended in a deficit of \$6,189. A deficit balance indicates funds are owed that have not yet been paid. Comment 2015-008 details the remaining liabilities owed from the 2015 fee account. The fiscal court has not received all excess fees owed to it from the 2015 fee account.

KRS 68.210 authorizes the state local finance officer to require certain local officials to make daily deposits intact to a federally insured banking institution. This is one of the minimum requirements for handling public funds as listed in the *County Budget Preparation and State Local Finance Officer Policy Manual*. Fee officials are personally liable for repayment of deficits. We recommend the former county clerk deposit \$6,189 of personal funds to cover the deficit in the 2015 fee account. We also recommend the county clerk's office deposit all funds intact daily.

*Former County Clerk Shelia Blevins' response: All deficits will be taken care of.*

**The former county clerk did not present an annual financial settlement to the fiscal court and did not pay additional excess fees of \$7,208 for calendar year 2015.** The former county clerk owes additional excess fees because of missing daily deposits and disallowed disbursements. The former county clerk did not provide a reason for failing to ensure an annual financial settlement was presented to the fiscal court. Additional excess fees were not paid because the funds to do so were not available in the 2015 fee account. Under fee pooling, the fiscal court pays for most expenses of the county clerk's office. It is therefore important for the fiscal court to know the financial condition of the county clerk's office. Without presenting an annual settlement, the fiscal court is unaware of the financial condition of the county clerk's office. Furthermore, excess fees are budgeted as income for the fiscal court, and not receiving excess fees timely impacts the fiscal court's ability to provide budgeted services, including payments of expenses of the county clerk's office. KRS 64.152 requires a financial settlement to be presented to the fiscal court by March 15 of each year. On February 4, 2013, the Elliott County Fiscal Court passed Ordinance FY-13-001, which requires the sheriff's office and county clerk's office to participate in fee pooling.

Under fee pooling, the sheriff's office and county clerk's office pay net income (excess fees) monthly to the fiscal court, and the fiscal court pays all salaries and expenses of those offices. Excess fees are due no later than the tenth of the month for the preceding month. We recommend the former county clerk pay additional excess fees of \$7,208 to the fiscal court as soon as possible. We also recommend the county clerk's office submit an annual financial settlement and pay any additional excess fees due to the fiscal court by March 15 of each year.

*Former County Clerk Shelia Blevins' response: Because the year end settlement was incorrect, the clerk did not prepare an annual financial statement nor pay excess fees until after the completion of the 2015 audit.*

**The former county clerk failed to disburse delinquent tax collections of \$3,958 to taxing districts, county attorney, and sheriff.** The former county clerk failed to distribute delinquent tax collections properly in the following instances:

- The former county clerk received a payment of \$2,250 in April 2015 from a mortgage company for delinquent taxes for multiple bills. The receipt was posted to the receipts ledger and deposited to the 2015 fee account. However, the \$2,250 was never reported on a monthly delinquent tax report, and therefore was not distributed to the taxing districts, county attorney, and sheriff.
- The July 2015 check to the county attorney in the amount of \$1,092 did not clear the former county clerk's bank account. The county attorney's office indicated the payment had not been recorded as being received. Prior to year-end, the check was removed from the former county clerk's outstanding check listing, but a replacement check was not issued.
- A comparison between the December 2015 delinquent tax report and canceled checks indicates a total of \$616 was underpaid to the taxing districts, county attorney, and sheriff.

The delinquent tax disbursements still unpaid as of the current date total \$3,958. We do not know what caused the \$2,250 in delinquent tax receipts to not be reported and disbursed on the delinquent report. Auditors could not determine if the mortgage company provided documentation that indicated the specific tax bills to be paid because the former county clerk's receipt listed the mortgage company as the customer, and listed only the tax years for the bills to be paid. No taxpayer names were noted on the receipt. We do not know what caused the July 2015 check written to the county attorney to not clear the bank, nor do we know why a replacement check was not prepared. We do not know what caused the December underpayments to taxing districts, county attorney, and sheriff, as the December monthly report and receipts ledger agree as to the amount received by the former county clerk. The lack of attention to detail and lack of reviews of monthly reporting were factors that contributed to these delinquent tax payments not being properly disbursed.

The following are the effects of these findings:

- Those taxpayers whose bills were paid by the mortgage company have not received credit for their payments in the delinquent tax records in the county clerk's office. Potential legal problems could occur in the event those taxpayers need to show proof of the tax payments, and because the tax bills were not marked paid, they could inadvertently be purchased by a third-party during the annual tax sale.
- The taxing districts, county attorney, and sheriff did not receive monies that were owed to them for the months of April, July, and December 2015.
- Because the monies were not distributed when received, we have adjusted the Statement of Receipts, Disbursements, and Excess Fees to include these unpaid liabilities, and have also included the liabilities on the Schedule of Excess Liabilities Over Assets.

KRS 134.126 describes the duties of the clerk regarding certificates of delinquency. Those duties require the county clerk to report and pay delinquent taxes by the 10th day of each month, allocate payments among the entities entitled to a payment, and note the name and address of the person making the payment, the amount paid, and mark the certificate of delinquency paid in full.

We recommend the former county clerk pay the following:

- \$2,250 received in April 2015 to a delinquent tax escrow account. The account will be maintained until such time as the taxpayers are identified. Once the taxpayers are identified, the delinquent

bills should be marked paid, and funds distributed from the escrow account to the current county clerk's fee account for reporting to the taxing districts, county attorney and sheriff.

- \$1,092 to the county attorney owed from July 2015.
- \$616 received in December 2015, to the agencies and amounts as listed below:

State	\$ 76	County	\$ 81
School	248	Health	19
Extension	40	Ambulance	56
Soil Conservation	22	County Attorney	60
Sheriff	14		

We further recommend the county clerk's office perform the delinquent tax reporting duties as stated in KRS 134.126.

*Former County Clerk Shelia Blevins' response: Any unpaid tax disbursements will be paid.*

**The former county clerk has disallowed disbursements of \$302 in the 2015 fee account.** The disallowed disbursements were debit card transactions. According to the bank statement description, the transactions were for meals. The former county clerk failed to provide invoices or supporting documentation for these debit card transactions. When fee account monies are spent on disallowed disbursements, the fiscal court is deprived of excess fees that can be used for other county services.

Fee officials are required to expend funds on allowable expenses. In Funk v. 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 allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not personal expenses. These debit card transactions were not adequately documented, and therefore it cannot be determined if the expenses were necessary, reasonable in amount, beneficial to the public and not personal expenses.

We recommend the former county clerk deposit personal funds of \$302 in the 2015 fee account for disallowed expenditures. We further recommend the county clerk's office refrain from using a debit card, since doing so weakens internal controls over disbursements, and that supporting documentation be maintained for all disbursements.

*Former County Clerk Shelia Blevins' response: Any disallowed disbursements will be paid to the 2015 fee account.*

**The former county clerk did not deposit the election commissioner payment to the fee account.** The fiscal court paid the former county clerk \$115 for the former county clerk's required service as an election commissioner on the county's board of elections. The former county clerk did not deposit the election commissioner payment to the fee account. The former county clerk received income in excess of her authorized salary and deprived the county clerk's office of income.

KRS 64.5275 allows county clerks to be paid only statutory maximum and training incentive. KRS 64.017 allows county clerks to be paid an expense allowance. These three items are the only compensation allowed to county clerks. Payments for serving on the county board of elections per KRS 117.035 are considered fees of the county clerk's office. We recommend the former county clerk deposit \$115 from personal funds to the 2015 fee account to reimburse for the election commission payment. This amount has been included in the 2015 excess fee calculation.

*Former County Clerk Shelia Blevins' response: Past Election Commissioner payments have been paid to each commissioner. Further commissioner payments will be deposited to the clerk's fee account.*

**The former county clerk overpaid the usage tax account by \$4,564.** The former county clerk did not pay the correct amount of usage tax to the usage tax account. In calendar year 2015, \$4,564 was overpaid and should be returned to the 2015 fee account. The former county clerk was not reconciling her usage tax account. Reconciliation of the usage account would have allowed these errors to be corrected timely.

Because the former county clerk did not pay the correct amount to the usage tax account, \$4,564 is owed to the 2015 fee account. These funds will have to be collected in order for the former county clerk to pay all of the liabilities of the 2015 fee account. Additional time was spent by auditors determining how much was owed to the 2015 fee account, as well as determining the current location of the funds. Auditors compared the daily payments made from the 2015 fee account to what was actually owed to the usage tax account. The \$4,564 overpayment was the result of numerous daily payment errors. These errors were found by auditors, not by the former county clerk, which indicates the former county clerk was not reconciling the usage tax account. Due to a misunderstanding, the current county clerk used the funds in the former county clerk's usage tax account to pay her usage tax liabilities until there were no funds remaining. The current county clerk corrected this error by depositing the \$4,564 to the former county clerk's 2016 fee account, where it remains.

We recommend the former county clerk transfer \$4,564 from her 2016 fee account to the 2015 fee account in order to be able to pay all liabilities of the 2015 fee account. We also recommend the county clerk's office reconcile the usage tax account at least monthly in order to prevent these types of undetected errors.

*Former County Clerk Shelia Blevins' response: Excess usage tax account money will be transferred to the 2015 fee account.*

**The former county clerk has uncollected receivables and unpaid liabilities in the 2015 fee account.** The former county clerk should collect receivables and pay liabilities in order to settle the 2015 fee account. The former county clerk also has two stale dated outstanding checks totaling \$1,096 that should be escrowed until the checks clear the bank. The former county clerk did not properly account for receipts and disbursements of the 2015 fee account.

The former county clerk should collect the following amounts:

Former county clerk's personal funds for election commissioner payment (Comment 2015-006)	\$ 115
Former county clerk's personal funds for disallowed disbursements (Comment 2015-005)	302
Overpayment from usage tax account (Comment 2015-007)	4,564

The former county clerk should pay the following amounts:

Delinquent taxes owed to various agencies (Comment 2015-004)	\$2,866
Excess fees to fiscal court (Comment 2015-003)	7,208

Currently, the bank account balance is \$0. However, there are two outstanding checks totaling \$1,096 (\$1,092 July delinquent tax to county attorney and \$4 refund to taxpayer) that would cause the account to be overdrawn if cashed. The outstanding checks represent obligations owed by the county clerk's office, and as such, cannot be written off. The two outstanding checks, combined with the receivables and liabilities listed above, indicate a deficit of \$6,189. The Schedule Of Excess Liabilities Over Assets provides detailed information on all receivable and liability activity since December 31, 2015. The outstanding checks can be reissued, but if they do not clear the bank within a reasonable amount of time,

they should be escrowed and held for three years. If after three years the funds are still unclaimed, the funds should be turned over to the state treasury as property assumed abandoned per KRS 393.090 and KRS 393.110. Each comment referenced above contains additional criteria used to determine the receivables and liabilities.

We recommend the former county clerk collect receivables and pay liabilities as detailed in the Schedule Of Excess Liabilities Over Assets, and escrow any checks still outstanding after a reasonable amount of time. We further recommend the county clerk's office establish procedures to ensure an annual settlement is presented to fiscal court by March 15 of each year and any additional excess fees be paid at that time.

*Former County Clerk Shelia Blevins' response: Any and all unpaid liabilities in the 2015 fee account will be paid.*

**The former county clerk overspent the deputies' maximum salary limitation fixed by fiscal court.** The former county clerk overspent the deputies' maximum salary limitation as fixed by the fiscal court by \$3,764. The fiscal court approved the deputies' salary limit at \$47,720, and later amended it to be increased by \$3,200, for a total salary limit of \$50,920. The former county clerk expended \$51,484, causing the salary limit to be exceeded by \$564. Disbursements for deputies' salaries were not monitored by the former county clerk. The former county clerk was not in compliance with KRS 64.530(3). Overspending the amount approved for county clerk's deputies' salaries reduces the funds available to the fiscal court to pay for other expenses of county government.

KRS 64.530(3) states, "the fiscal court shall fix annually the reasonable maximum amount, including fringe benefits, which the officer may expend for deputies and assistants, and allow the officer to determine the number to be hired and the individual compensation of each deputy and assistant." We recommend the county clerk's office and fiscal court monitor payroll disbursements during the year and not exceed the deputies' maximum salary limitation without fiscal court approval.

*Former County Clerk Shelia Blevins' response: A revised 2015 salary cap was submitted and approved by the Elliott County Fiscal Court. The overexpenditure was an oversight in employee scheduling.*

**The former county clerk's bond did not meet the requirements of KRS 62.055.** The former county clerk had obtained a bond in the amount of \$50,000. However, KRS 62.055 requires \$100,000. The former county clerk and fiscal court did not ensure that the bond met the requirements of KRS 62.055. Funds of the county clerk's office are at risk when the bond coverage is not obtained at the required amount. KRS 62.055(2) states "...the amount of the county clerk's bond shall be at least one hundred thousand dollars (\$100,000)." KRS 62.055(3) states "[t]he bond of the county clerk shall be examined and approved by the fiscal court, which shall record the approval in its minutes." We recommend the current county clerk obtain a bond of at least \$100,000 to comply with KRS 62.055. We also recommend fiscal court review bond coverage for the current county clerk.

*Former County Clerk Shelia Blevins' response: The clerk was not aware of new bond requirements. The clerk's bond is paid by the Elliott County Fiscal Court.*

**The former county clerk did not deposit receipts intact daily.** The former county clerk's office made 254 daily deposits during the year. Of those, 14 deposits did not clear the bank within three business days, and supporting documentation was not available for 133 deposits. The former county clerk did not ensure that deposits were made intact daily, and that all supporting documentation was maintained.

Receipts not deposited intact daily can result in the county clerk's office not being able to distribute funds timely to other agencies and increases the risk that funds could be misplaced or stolen. The lack of supporting documentation for daily deposits means that \$444,132 of deposits cannot be traced to copies of customer receipts. KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. Requirements for handling public funds as stated in the *County Budget Preparation and State Local Finance Officer Policy Manual* include that deposits be made intact daily. The practice of making daily deposits reduces the risk of misappropriation of cash, which is the asset most subject to possible theft. We recommend the county clerk's office deposit receipts intact daily and maintain all supporting documentation for deposits.

*Former County Clerk Shelia Blevins' response: Although some 2015 deposits were not deposited daily, a correction was made and any subsequent deposits were made daily.*

**The former county clerk did not make timely payments to the fiscal court.** All 12 of the former county clerk's excess fees payments and seven of 12 deed transfer tax payments were paid late to the fiscal court. The excess fees payments ranged from six days to over six months late. The deed transfer tax payments ranged from one to four months late. The former county clerk did not provide a reason for the late payments. However, the missing cash deposits noted in Comment 2015-001 may have been a contributing factor. The fiscal court did not receive much needed revenues in a timely manner, which impacted its ability to meet its financial obligations.

Excess fees are budgeted as income for the fiscal court, and not receiving excess fees timely impacts the fiscal court's ability to provide budgeted services, including paying expenses of the county clerk's office. On February 4, 2013, the Elliott County Fiscal Court passed Ordinance FY-13-001, which requires the sheriff's office and county clerk's office to participate in fee pooling. Under fee pooling, the sheriff's office and county clerk's office pay net income (excess fees) monthly to the fiscal court, and fiscal court pays all salaries and expenses of those offices. Net income is due no later than the tenth of the month for the preceding month. KRS 142.050(4) requires the county clerk to remit the deed transfer tax every three months to the county treasurer. We recommend the county clerk's office remit excess fee and deed transfer tax payments timely to the fiscal court.

*Former County Clerk Shelia Blevins' response: Some payments were not made by the 10<sup>th</sup> of each month. However, all payments were made as timely as possible.*

**The former county clerk submitted the third and fourth quarter financial reports to the Department for Local Government late.** The third and fourth quarterly financial reports were not received by the Department for Local Government (DLG) until March 2, 2016. DLG is the regulatory agency for county officials. The former county clerk did not ensure that she or her staff

submitted the quarterly reports to DLG timely. The former county clerk's financial condition was not known to the state local finance officer and DLG in a timely manner. KRS 68.210 authorizes the state local finance officer to require officials from local governments to submit financial reports. Quarterly reports are to be submitted by the twentieth day following the close of the quarter in order to satisfy this requirement. We recommend the county clerk's office ensure quarterly reports are prepared and submitted by the twentieth of each month following the close of the quarter.

*Former County Clerk Shelia Blevins' response: Quarterly reports were submitted as soon as they could be prepared.*

**The former county clerk did not prepare an accurate receipts ledger, disbursements ledger, or fourth quarter report.** Numerous adjustments were necessary to report accurate information on the audited financial statement. The former county clerk did not ensure that accurate financial information was prepared and provided to auditors. Errors in financial reporting are time consuming for auditors, costly for the official, and brings into question the qualifications of those preparing the information. Errors can be corrected during the audit; however, there is typically a significant amount of time that passes before that occurs, which could create budgeting difficulties for the fiscal court and other agencies that receive payments from the county clerk's office.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The uniform system of accounts as described in the *County Budget Preparation and State Local Finance Officer Policy Manual*, requires the county clerk to maintain accurate receipts and disbursements ledgers, and prepare a fourth quarterly report which includes all receipts collected and disbursements paid during the calendar year. We recommend the county clerk's office ensure all financial information is accurate.

*Former County Clerk Shelia Blevins' response: All ledgers and reports must be prepared manually. This action requires much time and effort. These reports take more time than most. Compiled with the regular duties of the clerk, this leaves more room for human error.*

**The former county clerk's office lacked adequate segregation of duties and internal controls over fee receipts and disbursements.** The former county clerk's office was structured so that the former county clerk or her chief deputy maintained control of daily deposits, posting to receipts and disbursements ledgers, writing checks, preparing monthly and annual reports, and reconciling bank accounts. Other employees who worked in the office handled transactions with customers only. As previously stated, the former county clerk did not structure her office in a way that segregated duties and responsibilities. No one reviewed the work of the former county clerk and there were no compensating controls in place.

Internal controls should be implemented and duties should be segregated to decrease the risk of misappropriation of assets, errors, and inaccurate financial reporting to external agencies. By not segregating these duties, there is an increased risk of misappropriation of assets by undetected error or fraud. Internal controls and proper segregation of duties protects employees and the county clerk in the normal course of performing their daily responsibilities. Good internal controls dictate the same employee should not receive payments, prepare deposits, and post to the receipts ledger;



the same employee should not prepare monthly reports, sign checks and post to the disbursements ledger; and the same employee should not deposit funds, sign checks, post to ledgers, and prepare bank reconciliations and monthly reports.

We recommend the county clerk's office segregate duties and implement internal controls. Employees receiving payments and preparing deposits should not post to the receipts ledger and prepare bank reconciliations. Employees preparing and signing checks should not post to the disbursements ledger and prepare bank reconciliations. A proper segregation of duties may not be possible with a limited number of employees, and in that case, the county clerk could take on the responsibility of reviewing the daily deposits, receipts and disbursements ledgers, monthly reports, and bank reconciliations prepared by another employee. These reviews must be documented in a way that indicates what was reviewed, by whom, and when, because signing off on inaccurate information does not provide internal control. The county clerk could also choose to prepare the bank reconciliations and other reports herself. Furthermore, the county clerk could require dual signatures on all checks, with one signature being the county clerk's.

*Former County Clerk Shelia Blevins' response: Due to the size of the Elliott County Clerk's office, there is not enough personnel for adequate segregation of duties.*

**The former county clerk did not prepare form 1099s for contract labor in calendar years 2012 and 2013.** The former county clerk did not prepare and distribute a Form 1099 to her daughter for scanning and indexing work performed during calendar years 2012 and 2013. The former county clerk's daughter was paid \$3,552 in calendar year 2012 and \$5,380 in calendar year 2013 as part of a Department of Libraries and Archives grant. Auditors were not given a reason as to why this did not occur. This is a repeated comment. The former county clerk's daughter's wages were not properly reported to the appropriate agencies so that taxes could be paid if owed. The Department for Libraries and Archives scanning and indexing grants are required to be spent as contract labor. The former county clerk agreed to this when the grant agreement was signed. The former county clerk was responsible for reporting contract labor payments to the appropriate agencies timely.

The Internal Revenue Service requires Form 1099 to be issued to individual contractors for services resulting in income of \$600 or more during a calendar year. We recommend the county clerk's office prepare and provide a Form 1099 to the contract labor employee for calendar years 2012 and 2013, and submit corrected Form 1099 to the IRS for calendar years 2012 and 2013. We also recommend the county clerk's office ensure Form 1099 is prepared and provided to any contract labor employee when Department for Libraries and Archives grants are received.

*Former County Clerk Shelia Blevins' response: The clerk had Form 1099s prepared by [vendor name redacted]. During relocation of records, the forms were lost.*

Auditor's Reply: Based on the response of the former clerk, we suggest the current county clerk contact the vendor to request a copy of the lost or misplaced 1099 in order to confirm and document whether appropriate 1099s were actually prepared. If the vendor has no evidence that the 1099 in question was prepared, the county clerk should follow the recommendation above to ensure that corrected 1099s are prepared and provided to the contract employee.

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](#).

###

*The Auditor of Public Accounts ensures that public resources are protected, accurately valued, properly accounted for, and effectively employed to raise the quality of life of Kentuckians.*

*Call 1-800-KY-ALERT or visit our website to report suspected waste and abuse.*

