

**REPORT OF THE AUDIT OF THE  
OWSLEY COUNTY  
CLERK**

**For The Period  
April 1, 2024 Through December 31, 2024**



**ALLISON BALL  
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ALLISON BALL  
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

The Honorable Zeke Little, Jr., Owsley County Judge/Executive  
The Honorable Austin Bowling, Owsley County Clerk  
Members of the Owsley County Fiscal Court

**Report on the Audit of the Financial Statement**

**Opinions**

We have audited the accompanying Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the County Clerk of Owsley County, Kentucky, for the period April 1, 2024 through December 31, 2024, and the related notes to the financial statement.

*Unmodified Opinion on Regulatory Basis of Accounting*

In our opinion, the accompanying financial statement presents fairly, in all material respects, the receipts, disbursements, and excess fees of the Owsley County Clerk for the period April 1, 2024 through December 31, 2024, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws as described in Note 1.

*Adverse Opinion on U.S. Generally Accepted Accounting Principles*

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statement does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Owsley County Clerk, as of December 31, 2024, or changes in financial position or cash flows thereof for the period then ended.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States, and the *Audit Program for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Owsley County Clerk and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



The Honorable Zeke Little, Jr., Owsley County Judge/Executive  
The Honorable Austin Bowling, Owsley County Clerk  
Members of the Owsley County Fiscal Court

### **Basis for Opinion (Continued)**

#### *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles*

As described in Note 1 of the financial statement, the financial statement is prepared by the Owsley County Clerk on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

### **Responsibilities of Management for the Financial Statement**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Owsley County Clerk's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statement**

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Owsley County Clerk's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Owsley County Clerk's ability to continue as a going concern for a reasonable period of time.

The Honorable Zeke Little, Jr., Owsley County Judge/Executive  
The Honorable Austin Bowling, Owsley County Clerk  
Members of the Owsley County Fiscal Court

**Auditor’s Responsibilities for the Audit of the Financial Statement (Continued)**

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we have identified during the audit.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2026, on our consideration of the Owsley County Clerk’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Owsley County Clerk’s internal control over financial reporting and compliance.

Based on the results of our audit, we have presented the accompanying Schedule of Findings and Responses, included herein, which discusses the following report findings:

- 2024-001 The County Clerk’s Quarterly Financial Statement Was Materially Inaccurate
- 2024-002 The County Clerk Has Deficient Internal Controls And Lacks Segregation Of Duties
- 2024-003 The County Clerk Did Not Properly Reconcile The 2024 Fee Account
- 2024-004 The County Clerk Did Not Properly Account For Disbursements
- 2024-005 The County Clerk Did Not Properly Distribute Funds Collected
- 2024-006 The County Clerk Should Collect Receivables And Remit Obligations Due

Respectfully submitted,



Allison Ball  
Auditor of Public Accounts  
Frankfort, KY

February 9, 2026

OWSLEY COUNTY  
AUSTIN BOWLING, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Period April 1, 2024 Through December 31, 2024

Receipts

State Grant: E-recording		\$ 117,102
State Fees For Services		3,389
Fiscal Court		57,426
Licenses and Taxes:		
Motor Vehicle-		
Licenses and Transfers	\$ 98,822	
Usage Tax	158,160	
Tangible Personal Property Tax	294,160	
Clerk Lien Fees	3,012	
Other-		
Marriage Licenses	520	
Miscellaneous	113	
Deed Transfer Tax	8,106	
Delinquent Tax	101,962	664,855
Fees Collected for Services:		
Recordings-		
Deeds, Easements, and Contracts	5,468	
Real Estate Mortgages	3,783	
Chattel Mortgages and Financing Statements	7,174	
Powers of Attorney	122	
Affordable Housing Trust	2,460	
All Other Recordings	5,589	
Charges for Other Services-		
Candidate Filing Fees	50	
Copy Work	302	
Postage	629	
Notary Bond Oath	209	25,786
Other:		
Refunds		4,218
Interest Earned		31
Total Receipts		872,807

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

OWSLEY COUNTY  
AUSTIN BOWLING, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
For The Period April 1, 2024 Through December 31, 2024  
(Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 69,969	
Usage Tax	153,410	
Tangible Personal Property Tax	107,447	
Licenses, Taxes, and Fees-		
Delinquent Tax	6,441	
Legal Process Tax	512	
Affordable Housing Trust Fund	<u>2,460</u>	\$ 340,239

Payments to Fiscal Court:

Tangible Personal Property Tax	30,451	
Delinquent Tax	9,757	
Deed Transfer Tax	7,701	
Document Storage Fees	<u>6,914</u>	54,823

Payments to Other Districts:

Tangible Personal Property Tax	144,511	
Delinquent Tax	<u>58,075</u>	202,586

Payments to Sheriff

7,698

Payments to County Attorney

12,859

Other Regulatory Payments:

Other Refunds		549
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Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	17,310
Overtime	3,067

Employee Benefits-

Employer's Share Social Security	1,559
Employer's Share Retirement	4,252
County Clerk's Social Security Matching	4,274
County Clerk's Retirement Matching	11,765

Contracted Services-

Advertising	1,228
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The accompanying notes are an integral part of this financial statement.

OWSLEY COUNTY  
AUSTIN BOWLING, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
For The Period April 1, 2024 Through December 31, 2024  
(Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Materials and Supplies-		
Office Supplies	\$ 12,662	
Other Charges-		
Credit Card Fees	2,041	
Conventions and Travel	2,950	
Dues	2,050	
Miscellaneous	1,602	
Postage	1,002	
Election Services	23,512	
Telephone	1,136	
Capital Outlay-		
Office Equipment - Software	2,941	
E-Recording Services	117,102	\$ 210,453
		<u>          </u>
Total Disbursements		<u>\$ 829,207</u>
Net Receipts		43,600
Less: Statutory Maximum		<u>53,775</u>
Excess Fees		(10,175)
Less: Expense Allowance		<u>2,100</u>
Excess Fees Due County for 2024		(12,275)
Payment to Fiscal Court - June 13, 2025		<u>1,088</u>
Balance Due Fiscal Court at Completion of Audit*		<u><u>\$ (13,363)</u></u>

\* - Explanation of negative balance at Schedule of Findings and Responses 2024-006

OWSLEY COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2024

Note 1. Summary of Significant Accounting Policies

A. Basis of Accounting

The financial statement has been prepared on a regulatory basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Authority for the regulatory basis is found in Kentucky Revised Statutes (KRS).

The Department for Local Government (DLG) is the regulatory agency responsible for establishing minimum accounting requirements for local government entities. The commissioner of the DLG is designated as the state local finance officer. (KRS 68.001). The DLG must prescribe and maintain “a uniform system of accounting and reporting on the receipt, use and handling of all public funds, other than taxes, due and payable to the state” from local government entities. (KRS 46.010(1)). The state local finance officer supervises the administration of the county uniform budget system and accounts and financial operations and must prescribe a “uniform system of accounts for all counties and county officials.” (KRS 68.210.) Under this authority, the DLG requires local governments to follow guidelines set forth in its *County Budget Preparation and State Local Finance Officer Policy Manual* (Manual) to meet the minimum required reporting for financial statement purposes.

The regulatory basis is outlined in the Manual and defines the measurement, presentation, disclosure, and recognition requirements for financial transactions when preparing regulatory basis financial statements. The Manual includes the standardized format for quarterly reporting to DLG.

Under this regulatory basis of accounting, receipts and disbursements are generally recognized when cash is received or disbursed, with the exception of accrual of the following items (not all-inclusive) as of December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2024 services
- Reimbursements for 2024 activities
- Payments due to other governmental entities for December tax and fee collections and payroll
- Payments due to vendors for goods or services provided in 2024

B. Measurement Focus and Excess Fees

The measurement focus of a fee official’s financial statement is upon current financial resources. A county clerk must remit to the fiscal court any income of his or her office, including the income from investments, that exceeds the sum of his or her maximum salary as permitted by the Constitution and other reasonable expenses, including compensation of deputies and assistants, when making his or her annual settlement. (KRS 64.152(2)). This settlement is due to the fiscal court by March 15 of each year. (KRS 64.152(1)). An outgoing clerk shall make a final settlement with the fiscal court by March 15 immediately following the expiration of his or her term of office. (KRS 64.830). The fiscal court shall collect any amount due from the county clerk as determined by the audit. (KRS 64.820.)

C. 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.

OWSLEY COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2024  
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting (Continued)

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

D. Cash and Investments

KRS 66.480 authorizes the county clerk's office to invest in 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).

Note 2. Employee Retirement System and Other Post-Employment Benefits

The clerk's office has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which has been governed by the CERS nine-member board of trustees since April 1, 2021. The Kentucky Public Pensions Authority (KPPA) was created by KRS 61.505, effective April 1, 2021, to provide staffing and daily administrative needs for CERS and Kentucky Retirement Systems. CERS 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, vesting requirements, and provisions are established by statute and are determined by participation date and hazardous or non-hazardous participation.

The county clerk's contribution for calendar years 2022 and 2023 could not be determined, and calendar year 2024 was \$4,252. The county's contribution rate for nonhazardous employees for calendar year 2024 was 23.34% for the first six months and 19.71% for the last six months.

Other Post-Employment Benefits (OPEB)

CERS provides post-retirement health care, cost of living adjustments for all recipients of retirement benefits, and a retired member's death benefit, all determined by participation date and hazardous or non-hazardous participation.

Specific details about retiree pension and OPEB benefits can be found online at: <https://www.kyret.ky.gov/Publications>.

Kentucky Public Pension Authority's Annual Financial Report and Proportionate Share Audit Report

KPPA issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. Many of these annual reports are available online at <https://kyret.ky.gov>. Reports may also be obtained by writing the KPPA, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

OWSLEY COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2024  
 (Continued)

Note 2. Employee Retirement System and Other Post-Employment Benefits (Continued)

Kentucky Public Pension Authority's Annual Financial Report and Proportionate Share Audit Report  
 (Continued)

KPPA also issues proportionate share audit reports for both total pension liability and other post-employment benefits for CERS determined by actuarial valuation, as well as each participating county's proportionate share. Both the Schedules of Employer Allocations and Pension Amounts by Employer and the Schedules of Employer Allocations and OPEB Amounts by Employer reports and the related actuarial tables are available online at <https://kyret.ky.gov>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

Note 3. Deposits

The Owsley County Clerk maintained deposits of public funds with federally insured banking institutions as required by the Manual. The Manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected 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. These requirements were met.

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 Owsley County Clerk does not have a deposit policy for custodial credit risk, but rather follows the requirements of the Manual. As of December 31, 2024, all deposits were covered by a properly executed collateral security agreement.

Note 4. State Grant

The Owsley County Clerk's Office received an e-recording grant from the Kentucky Department for Local Government in the amount of \$170,513. Funds totaling \$117,102 were expended during the year. The unexpended grant balance was \$53,411, as of December 31, 2024.

Note 5. Commitments: - Subscription-Based Information Technology Arrangements (SBITA)

The Owsley County Clerk's Office was committed to the following SBITA as of December 31, 2024:

Description	Effective Date	Length of Term	Frequency of Payments	Ending Date	Amount of Payments	Balance December 31, 2024
<b>SBITA:</b> Deed Room Software	1/1/2023	5	Yearly	12/31/2027	\$ 2,160	\$ 6,480

OWSLEY COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2024  
(Continued)

Note 6. County Clerk's Salary

Per KRS 64.5275(4), "[u]pon publication of the annual consumer price index by the United States Department of Commerce, the Department for Local Government shall fix the salary of the ... county clerk ... at an annual rate of salary to which the county official is entitled pursuant to the increase in the Consumer Price Index and the salary schedule contained in this section. This salary determination shall be retroactive to the preceding January 1." The Owsley County Clerk's maximum salary for calendar year 2024 as determined by Department of Local Government was \$84,938 for 2024; prorated for her term in office as \$63,704. The 2024 financial statement shows \$53,775 since the Owsley County Fiscal Court paid \$9,929 of her salary.

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*

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## ALLISON BALL AUDITOR OF PUBLIC ACCOUNTS

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*

### Independent Auditor's Report

The Honorable Zeke Little, Jr., Owsley County Judge/Executive  
The Honorable Austin Bowling, Owsley County Clerk  
Members of the Owsley County Fiscal Court

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Program for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky, the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Owsley County Clerk for the period April 1, 2024 through December 31, 2024, and the related notes to the financial statement and have issued our report thereon dated February 9, 2026. The Owsley County Clerk's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

### Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Owsley County Clerk's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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 Owsley County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Owsley County Clerk's internal control.

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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control 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 statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2024-001, 2024-002, 2024-003, 2024-004, 2024-005, and 2024-006 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)

**Report on Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Owsley County Clerk's financial statement 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 financial statement. 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 Schedule of Findings and Responses as items 2024-001, 2024-002, 2024-003, 2024-004, 2024-005, and 2024-006.

**Views of Responsible Official and Planned Corrective Action**

*Government Auditing Standards* require the auditor to perform limited procedures on the Owsley County Clerk's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The Owsley County Clerk's response was not subjected to the other auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the response.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Allison Ball  
Auditor of Public Accounts  
Frankfort, KY

February 9, 2026

## SCHEDULE OF FINDINGS AND RESPONSES

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OWSLEY COUNTY  
AUSTIN BOWLING, COUNTY CLERK  
SCHEDULE OF FINDINGS AND RESPONSES

For The Period April 1, 2024 Through December 31, 2024

2024-001 The County Clerk's Quarterly Financial Statement Was Materially Inaccurate

The fourth quarter financial report submitted by the county clerk was materially inaccurate. When compared to the 2024 bank account statements, the financial statement presented to auditors had a variance totaling \$126,234 in disbursements. Auditors noted that contributions from the Owsley County Fiscal Court were deposited into the bank account but were not included as receipts on the financial statement. Grant receipts were listed on the financial statement but deposited into a separate account. Furthermore, it was noted that the financial statement and excess fees were not submitted timely as required by the Department for Local Government (DLG) or statute. The county clerk is new and stated she was unaware of how to adequately prepare the financial statement. As a result, the fourth quarter financial statement was materially inaccurate. When financial statements do not agree with the actual transaction amounts received and disbursed, and are not reconciled to actual bank activity, the risk of material misstatement due to errors or fraud increases substantially.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires officials to submit quarterly reports to DLG by the 30<sup>th</sup> day following the close of each quarter.

KRS 424.220 (1) and (2) require every public officer to prepare an itemized, sworn statement of the funds collected, received, held, or disbursed by him during the fiscal year just closed.

KRS 64.152(1) and (2) require the county clerk to provide the fiscal court with a complete statement for the preceding calendar year of all funds received or disbursed and to submit the fees in excess of the income and expenses by March 15 of each year.

Strong internal controls require the accurate recording of receipts and disbursements in order to provide end users with information that can be relied upon for decision made about the financial standing of the clerk's office.

We recommend the Owsley County Clerk accurately prepare the fourth quarter financial report in the future and submit said financial statement and excess fees within the required timeframe.

*County Clerk's Response: The County Clerk was newly appointed during 2024 and was unaware of the detailed statutory and reporting requirements related to preparation of the Fourth Quarter Financial Statement. The errors identified were not intentional but were the result of inexperience and misunderstanding of required reporting procedures.*

*The County Clerk will ensure future quarterly and annual financial statements are prepared in accordance with Kentucky Revised Statutes and the County Budget Preparation and State Local Finance Officer Policy Manual. Financial reports will be reviewed against bank records and support documentation prior to submission. When necessary, guidance will be sought to ensure compliance and accuracy.*

2024-002 The County Clerk Has Deficient Internal Controls And Lacks Segregation Of Duties

The county clerk has deficient internal controls and lacks adequate segregation of duties. For the period audited, April 1, 2024 through December 31, 2024, the county clerk did not institute any internal controls or segregate incompatible duties. The county clerk receives cash, signs disbursement checks, posts to the receipts and disbursement ledgers, reconciles the bank account as well as prepares the quarterly financial statement. The county clerk was new and stated she was unaware she needed to institute internal controls. The lack of segregation of duties resulted in inaccurate financial reporting.

OWSLEY COUNTY  
 AUSTIN BOWLING, COUNTY CLERK  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Period April 1, 2024 Through December 31, 2024  
 (Continued)

2024-002 The County Clerk Has Deficient Internal Controls And Lacks Segregation Of Duties (Continued)

KRS 46.010(2) requires, “each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements.”

KRS 46.010(3) requires, “all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires.”

The segregation of duties is a basic internal control necessary to ensure the accuracy and reliability of financial reports. The segregation of duties over various accounting functions such as collecting receipts, preparing deposits, recording receipts and disbursements to the ledgers, and preparing reports, or the implementation of compensating controls, is essential for providing protection from asset misappropriation or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily job duties.

We recommend the county clerk institute internal controls and segregate duties over receipts, disbursements, and reconciliations. If segregation of duties is not feasible due to a small number of staff, we recommend the county clerk implement and document strong oversight over incompatible functions. The person providing this oversight should document his or her review by initialing all source documentation. For example, a person other than the individual who posted the daily checkouts to the receipts ledger should review both to ensure accuracy. Both the preparer and reviewer should initial checkout and receipts ledger. Additionally, a person other than the individual who prepared the quarterly financial statement should compare it to the receipts ledger, disbursements ledger and bank reconciliations. All individuals should then initial the documents as being accurate.

*County Clerk’s Response: The County Clerk acknowledges that adequate segregation of duties and documented internal control procedures were not fully established during the transition into office. The Clerk was unaware of the full scope of internal control requirements at that time.*

*The County Clerk will implement segregation of duties to the extent staffing allows. Monthly bank reconciliations will be prepared and independently reviewed and initialed. Deposit preparation, posting, and review functions will be separated where feasible. Written internal control procedures will be developed and maintained to strengthen oversight and accountability.*

2024-003 The County Clerk Did Not Properly Reconcile The 2024 Fee Account

The county clerk did not properly reconcile her 2024 fee account. The bank balance on January 1, 2025, was \$28,914. In January, there were deposits of \$25,854, outstanding checks/liabilities of \$64,176 and a service charge of \$8; leaving the account overdrawn by \$9,416 as of January 31, 2025. It was noted the banking institution charged a total of \$187 in overdraft fees that were subsequently refunded.

The county clerk had an outside individual help her with the monthly reconciliations. This individual did not stress the importance of tracking checks that had not cleared to ensure the bank account was not overdrawn.

An additional contribution from the fiscal court of \$28,000 was required to offset the overdrafts and additional liabilities of the 2024 fee account. Also, this failure to reconcile led the county clerk to submit a materially misstated financial statement to the fiscal court and the Department for Local Government.

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 (Continued)

2024-003 The County Clerk Did Not Properly Reconcile The 2024 Fee Account (Continued)

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KRS 46.010(2) requires, “each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements.” Proper reconciliation of bank accounts is part of the accurate accounting of receipts and disbursements.

Additionally, KRS 68.210 states the state local finance officer has the authority to require a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* includes monthly bank reconciliations as a minimum requirement for all county officials.

We recommend the county clerk properly reconcile all bank accounts monthly making sure outstanding checks and other liabilities are properly accounted for. Additionally, we recommend the bank reconciliations be reviewed by an employee independent of the reconciliation process. These reviews should be dated and initialed by both the preparer and the reviewer to document evidence of oversight, accuracy, and completeness.

*County Clerk’s Response: The County Clerk relied on outside assistance for monthly reconciliations and did not fully understand the necessity of timely and complete reconciliations. The Clerk acknowledges the importance of properly reconciling all accounts.*

*All bank accounts will be reconciled monthly. Reconciliations will include documentation of outstanding checks and deposits in transit. Each reconciliation will be reviewed and initialed by a separate individual to document oversight and completeness.*

2024-004 The County Clerk Did Not Properly Account For Disbursements

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The county clerk did not properly account for disbursements. During our testing, we found the following:

- Disbursements totaling \$13,332 were made by debit card. Although properly substantiated, the Department for Local Government requires all expenses to be paid by check.
- One disbursement did not have sufficient supporting documentation.
- One disbursement was only partially substantiated.
- Two invoices were not paid within the 30 days required as determined by the date due on the invoices.
- Two payrolls paid by the fiscal court totaling \$23,885 were not reimbursed by the 2024 fee account.
- Grant account checks should have been paid for by the fee account. Since the bank took the payment for the checks from the grant account, if not reimbursed this will cause a lack of funds when the final invoice is paid for the e-recording grant.

The county clerk failed to implement effective internal controls over disbursements and as a result is not in compliance with statutes and requirements.

KRS 46.010(2) requires, “each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements.”

KRS 65.140 (2) states in part “ Unless the purchaser and vendor otherwise contract, all bills for goods or services shall be paid within thirty (30) working days of receipt of a vendor's invoice....”

KRS 68.210 gives the state local finance officer authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* lists minimum requirements for all government officials which includes issuing disbursement by check only and monthly reconciliation.

OWSLEY COUNTY  
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 For The Period April 1, 2024 Through December 31, 2024  
 (Continued)

2024-004 The County Clerk Did Not Properly Account For Disbursements (Continued)

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We recommend the county clerk ensure compliance with applicable statutes and requirements by issuing payment by check only, maintaining supporting documentation for all payments, dating invoices when received (to ensure payment within 30 days) and ensuring all payroll is properly reimbursed. Furthermore, we recommend the county clerk reimburse the grant account for any expense other than approved grant expenses.

*County Clerk's Response: The County Clerk acknowledges that certain disbursements lacked adequate documentation and that payment timing procedures were not consistently followed during 2024.*

*Proper supporting documentation will be required prior to all disbursements. Invoices will be date-stamped upon receipt and paid within required timeframes. Grant funds will be monitored separately to ensure expenditures comply with grant requirements. All disbursements will be reviewed for accuracy and compliance prior to payment.*

2024-005 The County Clerk Did Not Properly Distribute Funds Collected

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The county clerk did not properly distribute funds collected. Funds collected for delinquent taxes, affordable housing, and usage taxes were not properly distributed to the State of Kentucky. Delinquent tax to the state was underpaid by \$4,762. Usage tax totaling \$1,324 for week one of 2025 was transferred from the 2024 fee account and not corrected. Multiple weeks of the state portion of usage tax, totaling \$12,613, was not transferred to the state and is still due. Affordable housing in the amount of \$1,044 was paid by the clerk's 2025 account and is due back to the 2025 account. Additionally, multiple months of the county clerk's commission for tangible personal property ad valorem tax was remitted to the state.

According to the county clerk, she was new and not familiar with the processes required. Due to these errors, various taxes and fees are still outstanding and have caused a deficit in the county clerk's 2024 fee account.

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements."

KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires."

Strong internal controls, such as the segregation of duties or an independent review process is necessary to ensure that errors and mistakes are caught and are essential for providing protection from asset misappropriation and inaccurate reporting.

We recommend the county clerk request that the state refund the commissions it inadvertently paid to the state and remit the amounts still due to the state. Furthermore, we recommend the county clerk establish policies and procedures to ensure funds collected from all reports are distributed properly.

*County Clerk's Response: The County Clerk was newly elected and unfamiliar with certain remittance and distribution procedures. The Clerk acknowledges the errors identified in the audit.*

*Monthly procedures will be established to ensure all funds collected are properly allocated and remitted to the appropriate agencies. Reports will be reviewed prior to submission to ensure accuracy. Any overpayments or underpayments identified will be reconciled promptly.*

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SCHEDULE OF FINDINGS AND RESPONSES  
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(Continued)

2024-006 The County Clerk Should Collect Receivables And Remit Obligations Due

The Owsley County Clerk should collect receivables and remit obligations as listed below.

Assets

Cash in Bank		\$	28,914
Deposits in Transit			6,155
Receivables:			47,580
Due from State for Tangible Tax Commissions Overpaid	\$	837	
Due from County Clerk for Salary in Excess of Statute		1,688	
Due from 2025 Fee Acct. (Week 1 Usage)		1,324	
Due from 2025 Fee Acct. (Affordable Housing)		1,044	4,893
			<u>87,542</u>
Total Assets			<u>87,542</u>

Liabilities

Paid Obligations:			
Outstanding Checks		29,730	
Liabilities		52,919	
Total Paid Obligations			<u>82,649</u>
Unpaid Obligations:			
Kentucky State Treasurer-			
Usage Tax (Total Variance less Week 53 duplicate)		12,613	
Affordable Housing Trust Fund		864	
Delinquent Tax		4,762	
Grant Account		17	
Total Unpaid Obligations			<u>18,256</u>
Total Liabilities			<u>100,905</u>
Total Fund Deficit as of December 31, 2024			<u>\$ (13,363)</u>

The county clerk was new and did not implement effective internal controls over financial reporting. She was not sure which state payments are made electronically, and which must be paid by check. Additionally, there were errors which allowed 2025 fees to pay for 2024 expenses. These errors caused the county clerk to incur the deficit described above.

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(Continued)

2024-006 The County Clerk Should Collect Receivables And Remit Obligations Due (Continued)

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KRS 64.152(2) states in part “The settlement for excess fees shall be subject to correction by audit”

Strong internal controls, such as the segregation of duties or an independent review process is necessary to ensure that errors and mistakes are caught and are essential for providing protection from asset misappropriation and inaccurate reporting.

We recommend the county clerk collect the receivables and work with the fiscal court to ensure the amounts due to the state are remitted.

*County Clerk's Response: The County Clerk acknowledges that receivable and remittance errors occurred during 2024 due to inexperience and misunderstanding of certain procedures.*

*The County Clerk will work with the Fiscal Court to ensure all receivables are collected and all obligations due to the State Treasurer and other entities are remitted timely. Monthly review procedures will be implemented to monitor receivables, liabilities, and excess fees to ensure compliance with Kentucky Revised Statutes.*