



**Auditor of
Public Accounts
Allison Ball**

Owsley County Clerk's Fee Account Audit

FRANKFORT, Ky. – State Auditor Allison Ball released the audit of the 2024 financial statement of Owsley County Clerk Austin Bowling. 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 Owsley 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.

Finding: 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.

Recommendations

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 Officials Response

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.

Finding: 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.

Recommendations

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 Officials Response

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.

Finding: 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.

Recommendations

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 Officials Response

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.

Finding: Did not properly account for disbursements.

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.

Recommendations

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 Officials Response

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.

Finding: Did not properly distribute funds collected.

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.

Recommendations

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 Officials Response

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.

Finding: 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)		<u>1,044</u>	<u>4,893</u>
Total Assets			<u>87,542</u>

Liabilities

Paid Obligations: Outstanding Checks		29,730	
Liabilities		<u>52,919</u>	
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		<u>17</u>	
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>

Recommendations

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 Officials Response

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.

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](#).

###

