

**REPORT OF THE AUDIT OF THE  
MARTIN COUNTY  
CLERK**

**For The Year Ended  
December 31, 2017**



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**209 ST. CLAIR STREET  
FRANKFORT, KY 40601-1817  
TELEPHONE (502) 564-5841  
FACSIMILE (502) 564-2912**



CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT ..... 1

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS ..... 3

NOTES TO FINANCIAL STATEMENT ..... 6

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* ..... 13

SCHEDULE OF FINDINGS AND RESPONSES ..... 17

THIS PAGE LEFT BLANK INTENTIONALLY



**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Kelly Callaham, Martin County Judge/Executive  
The Honorable Susie Skyles, Martin County Clerk  
Members of the Martin County Fiscal Court

Independent Auditor's Report

**Report on the Financial Statement**

We have audited the accompanying Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the County Clerk of Martin County, Kentucky, for the year ended December 31, 2017, and the related notes to the financial statement.

**Management's Responsibility 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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit 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 Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



The Honorable Kelly Callaham, Martin County Judge/Executive  
 The Honorable Susie Skyles, Martin County Clerk  
 Members of the Martin County Fiscal Court

### **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 Martin 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, 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.

### **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 paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Martin County Clerk, as of December 31, 2017, or changes in financial position or cash flows thereof for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the Martin County Clerk for the year ended December 31, 2017, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2018, on our consideration of the Martin 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 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 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 Martin 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 comments:

- 2017-001 The Martin County Clerk's Office Lacked Adequate Segregation Of Duties
- 2017-002 The Martin County Clerk's Quarterly Financial Report Was Materially Misstated
- 2017-003 The Martin County Clerk Did Not Properly Distribute Delinquent Taxes Which Resulted In The Overpayment Of Excess Fees To The Fiscal Court

Respectfully submitted,



Mike Harmon  
 Auditor of Public Accounts

August 7, 2018

MARTIN COUNTY  
 SUSIE SKYLES, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2017

Receipts

State Revenue Supplement	\$	66,599
State Fees For Services		3,993
Fiscal Court		150
Licenses and Taxes:		
Motor Vehicle-		
Licenses and Transfers	\$	308,153
Usage Tax		662,539
Tangible Personal Property Tax		716,114
Notary Fees		470
Other-		
Fish and Game Licenses		4,154
Marriage Licenses		3,337
Occupational Licenses		7,124
Deed Transfer Tax		7,796
Delinquent Tax		713,704
		2,423,391
Fees Collected for Services:		
Recordings-		
Deeds, Easements, and Contracts		4,362
Real Estate Mortgages		5,390
Chattel Mortgages and Financing Statements		27,750
Powers of Attorney		546
Affordable Housing Trust		5,490
All Other Recordings		7,290
Charges for Other Services-		
Candidate Filing Fees		1,050
Postage		1,929
		53,807
Other:		
Refunds/Overpayments		13,707
Miscellaenous		133
		13,840
Interest Earned		259
Total Receipts	\$	2,562,039

MARTIN COUNTY  
 SUSIE SKYLES, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2017  
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 215,427	
Usage Tax	642,663	
Tangible Personal Property Tax	364,165	

Licenses, Taxes, and Fees-

Fish and Game Licenses	3,906	
Delinquent Tax	85,781	
Legal Process Tax	7,673	
Affordable Housing Trust	5,490	\$ 1,325,105

Payments to Fiscal Court:

Tangible Personal Property Tax	98,577	
Delinquent Tax	45,940	
Deed Transfer Tax	6,441	150,958

Payments to Other Districts:

Tangible Personal Property Tax	224,910	
Delinquent Tax	388,390	613,300

Payments to Sheriff

39,207

Payments to County Attorney

97,556

Tax Bill Preparation

2,641

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	120,462	
--------------------	---------	--

Employee Benefits-

Employer's Share Retirement	20,000	
-----------------------------	--------	--

Contracted Services-

Contract Labor	946	
----------------	-----	--

Advertising	1,181	
-------------	-------	--

Materials and Supplies-

Office Supplies	12,467	
-----------------	--------	--



MARTIN COUNTY  
 SUSIE SKYLES, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2017  
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Other Charges-		
Conventions and Travel	\$	1,900
Dues		5,853
Postage		1,942
Refunds		14,635
Insurance and Bonds		917
Miscellaneous		220
Capital Outlay-		
Office Equipment		<u>3,555</u>
	\$	184,078
Debt Service:		
Lease Purchases		<u>37,763</u>
Total Disbursements		<u>\$ 2,450,608</u>
Net Receipts		111,431
Less: Statutory Maximum		<u>83,059</u>
Excess Fees		28,372
Less: Expense Allowance		3,600
Training Incentive Benefit		<u>3,039</u>
		<u>6,639</u>
Excess Fees Due County for 2017		21,733
Payment to Fiscal Court - March 15, 2018.		<u>11,031</u>
Balance Due Fiscal Court at Completion of Audit		<u>\$ 10,702</u>

MARTIN COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2017

Note 1. Summary of Significant Accounting Policies

A. 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.

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.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the county clerk as determined by the audit. KRS 64.152 requires the county clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework. 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) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2017 services
- Reimbursements for 2017 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2017

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the county treasurer in the subsequent year.

C. 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 county official and employees have elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This 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 and provisions are established by statute.

MARTIN COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2017  
 (Continued)

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

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent of their salary to be allocated as follows: five percent will go to the member's account and one percent will go to the KRS insurance fund. The county's contribution rate for nonhazardous employees was 18.68 percent for the first six months and 19.18 percent for the last six months.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous members contribute five percent of their annual creditable compensation and one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A nonhazardous member's account is credited with a four percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008, must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Health Insurance Coverage

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<b>Years of Service</b>	<b>% paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

MARTIN COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2017  
(Continued)

Note 3. Deposits

The Martin County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC 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.

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 Martin County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of December 31, 2017, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Libraries and Archives Grants

The Martin County Clerk's office received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$6,576. The unexpended grant balance was \$6,576 as of December 31, 2017.

Note 5. Lease Agreement

A. Software Management Service Agreement

The Martin County Clerk's office was committed to a service agreement with Software Management for a computer software. The agreement requires a monthly payment of \$3,083 for 60 months to be completed on May 31, 2018. The total balance of the agreement was \$15,415 as of December 31, 2017.

B. Canon Financial Services Lease Agreement

The Martin County Clerk committed to a lease agreement for a copier in calendar year 2017. The agreement requires a monthly payment of \$122 for 60 months to be completed on July 19, 2021. The county clerk was in compliance with all lease requirements as of December 31, 2017. The balance of the lease agreement at December 31, 2017, is \$6,683.

MARTIN COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2017  
(Continued)

Note 6. Escrow Account

The county clerk maintains an interest bearing escrow account for the purpose of holding unclaimed funds. The balance in the account as of December 31, 2017 was \$964.

2011 - \$70  
2012 - \$408  
2013 - \$149  
2014 - \$228  
2015 - \$109

KRS 393.090 states that if the funds have not been claimed after three years, they are presumed abandoned. Abandoned funds are required to be sent to the Kentucky State Treasurer pursuant to KRS 393.110 and its accompanying regulations.

THIS PAGE LEFT BLANK INTENTIONALLY

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*

THIS PAGE LEFT BLANK INTENTIONALLY





MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Kelly Callaham, Martin County Judge/Executive  
The Honorable Susie Skyles, Martin County Clerk  
Members of the Martin County Fiscal Court

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Martin County Clerk for the year ended December 31, 2017, and the related notes to the financial statement and have issued our report thereon dated August 7, 2018. The Martin 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.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Martin County Clerk's internal control over financial reporting (internal control) to determine the 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 Martin County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Martin County Clerk's internal control.

Our consideration of internal control 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 and other deficiencies that we consider to be significant deficiencies.

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 2017-001, 2017-002 and 2017-003 to be material weaknesses.

209 ST. CLAIR STREET  
FRANKFORT, KY 40601-1817

TELEPHONE 502.564.5841  
FACSIMILE 502.564.2912  
WWW.AUDITOR.KY.GOV

AN EQUAL OPPORTUNITY EMPLOYER M / F / D



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)

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Martin 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 determination of financial statement amounts. 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 2017-002 and 2017-003.

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

The Martin County Clerk's views and planned corrective action for the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Martin County Clerk's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

**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,



Mike Harmon  
Auditor of Public Accounts

August 7, 2018

## SCHEDULE OF FINDINGS AND RESPONSES

THIS PAGE LEFT BLANK INTENTIONALLY

MARTIN COUNTY  
SUSIE SKYLES, COUNTY CLERK  
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2017

FINANCIAL STATEMENT FINDINGS:

2017-001 The Martin County Clerk's Office Lacked Adequate Segregation Of Duties

---

This is a repeat finding and was included in the prior year audit report as finding 2016-001. The Martin County Clerk's office lacked adequate segregation of duties. One employee collected cash, prepared the daily checkout sheet, prepared the deposit slip, and took the deposit to the bank. No documented compensating controls were noted to offset this control deficiency.

The lack of segregation of duties occurs because the county clerk has failed to segregate incompatible duties. This deficiency increases the risk of misappropriation of assets, errors, and inaccurate financial reporting. Adequate segregation of duties would prevent the same person from having a significant role in these incompatible functions. The county clerk can implement oversight when duties cannot be segregated.

Good internal controls dictate that duties should be adequately segregated or compensating controls implemented to ensure accurate financial reporting.

We recommend the county clerk segregate duties or implement strong compensating controls to mitigate risks. If segregation of duties is not feasible due to a lack of staff, the county clerk could implement and document compensating controls to offset this control deficiency.

*County Clerk's Response: County Clerk will implement more internal controls along with segregation of duties.*

2017-002 The Martin County Clerk's Quarterly Financial Report Was Materially Misstated

---

This is a repeat finding and was included in the prior year audit report as finding 2016-002. The county clerk's fourth quarter report did not reflect all financial activity for calendar year 2017. Disbursements after December 31, 2017, totaling \$76,087 were not posted to the disbursements ledger. These adjustments have resulted in the fourth quarter financial report being materially misstated.

The county clerk was not aware that disbursements after December 31, 2017, were required to be accounted for on the fourth quarter financial report.

The county clerk did not provide accurate financial information to the fiscal court and the Department for Local Government. A materially misstated fourth quarter financial report could result in an increased risk of uncorrected errors, theft, loss, or misappropriated assets.

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 ensure the quarterly financial report is complete and accurate.

*County Clerk's Response: Bookkeeper must be aware to make sure all disbursement made after Dec. 31<sup>st</sup> are included on the 4<sup>th</sup> quarter financial statement.*

MARTIN COUNTY  
 SUSIE SKYLES, COUNTY CLERK  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2017  
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-003 The Martin County Clerk Did Not Properly Distribute Delinquent Taxes Which Resulted In The Overpayment Of Excess Fees To The Fiscal Court

---

This is a repeat finding from calendar year 2016 that has yet to be resolved. It was reported as finding 2016-003. The county clerk did not distribute delinquent taxes properly for calendar year 2016. The county clerk's office collects delinquent taxes and distributes delinquent taxes to the taxing districts, sheriff, and county attorney on a monthly basis. The bookkeeper generates the monthly tax collection reports and prepares the delinquent tax checks to the taxing districts and prepares monthly bank reconciliations. The county clerk certifies that the monthly tax collection reports are accurate and signs checks to the taxing districts. During September, the delinquent tax reports stated the state taxing district was due \$192,570. However, the amount of the check written to the state was \$19,570, resulting in an underpayment of \$173,000 to the state. For the months of October and November, checks were not written to the fire and 911 taxing districts. The amount due to fire district is \$542 and the 911 district is \$8,944.

The Martin County Clerk's office does not have internal controls over monthly delinquent tax reports and the distribution of delinquent taxes. Although the county clerk signed the monthly tax reports and signed the checks written, she did not compare the monthly tax reports to the checks written to determine if the checks written agreed to the monthly distribution reports. 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.

Failing to implement internal controls over monthly disbursement reports and the distribution of delinquent taxes resulted in the underpayment of three taxing districts and the over payment of excess fees. The county clerk overpaid excess fees to the fiscal court \$182,486 for calendar year 2016. The amounts due to the taxing districts for 2016 delinquent tax collections are as follows:

Kentucky State Treasurer - \$173,000  
 Fire Taxing District - \$542  
 911 Taxing District - \$8,944

The county clerk has a responsibility to design and implement internal controls that provide reasonable assurance regarding the reliability of monthly tax reports and payments to taxing districts. The same employee should not prepare monthly reports, prepare and sign checks, post to the disbursements ledger, and reconcile the bank account. Additionally, KRS 134.126 requires the county clerk to pay the county, taxing districts, and other persons entitled to all moneys received for them through the collection of delinquent taxes.

The clerk should be more diligent in the day-to-day operations of her office by providing oversight of the monthly tax reports and payments made to the taxing districts. We recommended the county clerk strengthen her internal controls over the monthly reporting and distribution of delinquent taxes by thoroughly reviewing the reports, comparing the reports to the checks, and signing off after a proper review is complete. We also recommend the county clerk request a refund of excess fees from the fiscal court in the amount of \$182,486 and pay the state taxing district \$173,000, the fire taxing district \$542, and the 911 taxing district \$8.

*County Clerk's Response: County Clerk will request refund from fiscal court. County Clerk has spoke to a representative from revenue about making a payment arrangement. County Clerk will make sure to check all reports for errors.*