



Auditor of Public Accounts
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Harmon Releases Audit of Martin County Clerk's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2020 financial statement of Martin County Clerk Susie Skyles. 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 Martin 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 Martin County Clerk has a deficit of \$3,970 in her 2018 official bank account: This is a repeat finding and was included in the prior year audit report as Finding 2019-001. The county clerk's bank balance as of the audit report date was \$11,697. The clerk has outstanding checks totaling \$15,667, leaving a negative balance of \$3,970. Included in the outstanding check amount is a check totaling \$15,391 written to the Kentucky State Treasurer for July 2018 delinquent tax collections. Neither the county clerk nor the bookkeeper followed up on this check to determine why it was not deposited. The clerk had sufficient funds in the bank at the time the outstanding checks were written. Although the clerk did not exceed budgeted operating expenditures, she failed to recognize revenue was not sufficient to cover her expenditures. The county clerk did not review monthly bank balances

to determine if there were sufficient funds to pay outstanding liabilities. As a result, the county clerk does not have enough cash in the bank to cover outstanding checks.

Good internal controls dictate that expenditures should be monitored closely and compared to budgets to ensure revenue is sufficient. We recommend the county clerk consult with the fiscal court and county attorney to determine how to eliminate this deficit.

County Clerk's Response: Working with County Attorney and County Judge - Fiscal Court to get this cleared up.

The Martin County Clerk did not present an annual settlement to the fiscal court: The county clerk did not prepare or present an annual settlement of excess fees to the fiscal court. The excess fees for the 2020 fee account is \$26,721. The county clerk does not have controls in place to ensure that an annual settlement is prepared and presented to the fiscal court.

The lack of compliance with applicable state laws and the Department for Local Government's (DLG) reporting requirements has led to the fiscal court not being adequately informed of the financial activities of the county clerk's office, resulting in the limited ability to appropriately monitor the financial activity and make fully informed financial decisions for the county. In addition, the fiscal court did not receive excess fees timely.

KRS 64.152(1) states, in part, “. . . the county clerk shall provide to the fiscal court by March 15 of each year a complete statement for the preceding calendar year of all funds received by his office in an official capacity or for official services, and of all expenditures of his office. . . .”

We recommend the county clerk implement controls to ensure compliance with KRS 64.152 by presenting an annual settlement to the fiscal court by March 15. Furthermore, we recommend the county clerk remit excess fees of \$26,721 to the fiscal court from the 2020 fee account.

County Clerk's Response: Due to COVID – I let this slip by. It is now done – will make sure it's done on time!!

The Martin County Clerk's office does not have adequate segregation of duties: This is a repeat finding and was included in the prior year audit report as finding 2019-002. The Martin County Clerk's office does not have 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 lack of staff, the county clerk could implement and document compensating controls to offset this control deficiency.

County Clerk's Response: A very small staff and due to lack of funds – small staff!!

The county clerk's responsibilities include collecting certain taxes, issuing licenses, maintaining county records and providing other services. The clerk's office is funded through statutory fees collected in conjunction with these duties.

The audit report can be found on the [auditor's website](#).

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