



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2021 financial statement of Carlisle County Clerk Becky Martin. 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 Carlisle 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 Carlisle County Clerk's payroll expenses were not adequately supported: This is a repeat finding and was included in the prior year audit report as Finding 2020-002. The Carlisle County Clerk's payroll expenses for the calendar year were not adequately supported. Timesheets are not used to prepare payroll reports and seem to only be maintained to keep track of overtime hours worked. The county clerk receives a payroll summary from the county treasurer at the beginning of each month that is divided into two pay periods. The county clerk did not comply with state regulations resulting in ineffective internal controls over payroll which increases the risk of misappropriation or fraud related to payroll expenses.

KRS 337.320(1) states, in part, “[e]very employer shall keep a record of... (b)The hours worked each day and each week by each employee[.]” Strong internal controls dictate that procedures be in place to ensure that employees are properly compensated based on actual hours worked. According to the county clerk, she is unaware of the reason payroll is handled in this way.

We recommend the county clerk require all timesheets to be approved and reported prior to processing payroll reports.

County Clerk’s Response: The Clerk’s deputies will maintain and submit timesheets to our treasurer in the week that the work was done – effective immediately.

The Carlisle County Clerk’s fourth quarter disbursements were materially understated: The Carlisle County Clerk’s fourth quarter disbursements excluded a total of \$62,424 of required tax payments and \$45,608 of unpaid obligations at the calendar year-end from her financial statement that was submitted to the Department for Local Government (DLG). This resulted in the official’s financial statement disbursements being materially understated. As a result of the fourth quarter financial statement being materially understated, the financial information did not reflect an accurate financial accounting of the county clerk’s office as reported to the DLGt, fiscal court, and other administrative bodies.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The DLG’s *County Budget Preparation and State Local Finance Officer Policy Manual* requires officials to ensure accurate financial reporting. Good internal controls dictate that the financial report be accurate. Due to a lack of internal controls, multiple transactions were omitted from or inaccurately included on the disbursements ledgers and thus were not reflected on the fourth quarter financial statement.

We recommend the county clerk prepare an accurate fourth quarter financial statement by reviewing ledgers to ensure all postings are made through the year. We further recommend the county clerk utilizes the unpaid obligations as of 12/31 column in the future to ensure the financial information submitted to the DLG and other users is accurate.

County Clerk’s Response: This was an oversight and we will try to avoid this situation in the future by having better internal controls via double checking and rotating duties.

The Carlisle County Clerk’s Office does not have adequate segregation of duties: The county clerk has tried to segregate duties to the extent possible within her office. The county clerk’s deputies prepare daily checkout sheets and deposit tickets, which are reviewed by the county clerk. Official expenses are ordered by the county clerk and the bookkeeper prepares checks based on the invoices. Dual signatures are required. Receipts and disbursements are entered into the ledgers by the bookkeeper. Reconciliations are prepared by the bookkeeper. Review of documents is not documented. However, this segregation of duties is not sufficient in detecting errors and misstatements on the financial statements. A lack of segregation of duties increases the risk of undetected errors occurring and not being corrected in a timely manner which could lead to inaccurate financial reporting to external agencies such as the Department for Local Government (DLG).

Segregation of duties or the implementation of compensating controls, when limited by the number of staff, is essential for providing protection against the misappropriation of assets and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. According to the county clerk, they have tried to segregate duties to the extent possible however a limited budget restricts the number of employees the county clerk can hire or delegate duties to.

We recommend the clerk's office assign some of the duties to other employees. If that is not feasible due to a limited number of staff, the clerk's office should implement some compensating controls to minimize the risk of a lack of segregation of duties. Compensating controls performed should be documented by reviewer's initials and date.

County Clerk's Response: We continue to strive to rotate our duties and work as a team to have different people look over timesheets. Moving forward we will look to improve our practices.

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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