



Auditor of Public Accounts
Mike Harmon

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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 2022 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 findings:

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 2021-001. 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. There were no compensating controls in place 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.

Internal controls and proper segregation of duties protects employees and the county clerk in the normal course of performing their daily responsibilities. Good internal controls dictate the same employee should not receive payments, prepare deposits, and post to the receipts ledger; the same employee should not prepare monthly reports, sign checks, and post to the disbursements ledger; and the same employee should not deposit funds, sign checks, post to ledgers and prepare bank reconciliations and monthly reports.

We recommend the county clerk's office adequately segregate duties and implement internal controls to ensure transactions are recorded timely. Employees receiving payments and preparing deposits should not be posting to the receipts ledger and preparing bank reconciliations. A proper segregation of duties may not be possible with a limited number of employees, and in that case, the county clerk or bookkeeper could take on the responsibility of reviewing the daily deposits, receipts and disbursements ledgers, monthly reports, and bank reconciliations prepared by another employee. These reviews must be documented in a way that indicates what was reviewed, by whom, and when, because signing off on inaccurate information does not provide internal control. Further, the county clerk could require dual signatures on all checks, with one signature being the county clerk's.

County Clerk's Response: This always seems to hit us on every audit, I am going to double check each of the deputy clerk's duties to see how we can switch everything around.

The Martin County Clerk has a deficit of \$16,591 in her 2022 official bank account: The county clerk overspent funds that were available to her in calendar year 2022. The deficit is primarily due to a lack of internal controls over the reconciliation process. Near the end of the calendar year, the county clerk found that she did not have enough funds to pay outstanding liabilities due to the taxing districts. The county clerk borrowed \$30,000 from her 2023 operating account to pay the outstanding tax liabilities owed. Although the county 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 owes the 2023 operating account \$30,000. Strong internal controls and proper oversight procedures dictate that expenditures should be monitored closely and compared to budgets to ensure revenue is sufficient. If funds available are not sufficient to meet obligations, expenses must be reduced to compensate and to avoid overspending and a fund deficit.

The following schedule details the fund deficit as of December 31, 2022:

Reconciled Cash Balance at 12/31/2022	\$	5,736
Receivables:		
Due From Affordable Housing Trust		2,994
Due From Fiscal Court - Training Incentive Pay		4,679
Liability:		
Due To 2023 Fee Account		<u>(30,000)</u>
Total Fund Deficit As of December 31, 2022	\$	<u>(16,591)</u>

We recommend the county clerk consult with the fiscal court and the county attorney to determine how to eliminate this deficit, up to and including using personal funds to pay the office's obligations that are currently outstanding.

County Clerk's Response: I have spoken with my County Attorney and County Judge about ways to get assistance with clearing this deficit up. We know to watch in November and December since it has become two of the slowest months.

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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