



Auditor of Public Accounts  
Mike Harmon

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**Contact: Michael Goins**  
[Michael.Goins@ky.gov](mailto:Michael.Goins@ky.gov)  
**502.564.5841**  
**502.209.2867**

**Harmon Releases Audit of Martin County Clerk's Fee Account**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2018 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's Office lacked adequate segregation of duties:** This is a repeat finding and was included in the prior year audit report as Finding 2017-001. 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 lack of staff, the county clerk could implement and document compensating controls to offset this control deficiency.

*County Clerk's Response: We are a very small county. A lot of employees have multiple tasks. We will try to segregate as much as possible.*

**The Martin County Clerk has a deficit of \$3,974 in her 2018 official bank account:** The county clerk's bank balance as of the audit date was \$11,693. The clerk has outstanding checks totaling \$15,667, leaving a negative balance of \$3,974. Included in the outstanding check amount is a check totaling \$15,391 written to the Kentucky State Treasurer for July 2018 delinquent tax collections. The county clerk nor the bookkeeper followed up on this check to determine why it was not cashed. 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: First year bookkeeper did not monitor accounts closely. She is better prepared to determine this kind of mistakes before they happen.*

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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