



Auditor of Public Accounts
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Edelen Releases Audit of Former Martin Clerk's Fee Account

FRANKFORT, Ky. – State Auditor Adam Edelen today released the audit of the 2014 financial statement of former Martin County Clerk Carol Sue Mills. State law requires the auditor to conduct annual audits of county clerks and sheriffs.

Recent changes in auditing standards require the auditor's letter to communicate whether the financial statement presents fairly the revenues, expenditures and excess fees of the former Martin County Clerk in accordance with generally accepted accounting principles in the United States. The report found that the financial statement of the Clerk 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 non-compliance 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 former County Clerk's office lacked adequate segregation of duties. The former County Clerk's internal control structure lacked an adequate segregation of duties. This deficiency occurs when someone has custody over assets and the responsibility of recording financial transactions. The former County Clerk's bookkeeper had access to cash, occasionally posted to the receipts/disbursements ledgers, and reconciled the bank account. These control deficiencies could have adversely affected the former County Clerk's ability to record, process, summarize, and report accurate financial information. Good internal controls dictate the same employee should not receive payments, make deposits, and prepare checks for payment.

If, due to a limited number of staff, it is not possible to segregate duties strong oversight over these areas should occur and involve an employee not currently performing any of those

functions. Additionally, the former County Clerk could have provided the oversight. If the County Clerk's office does implement compensating controls, these should be documented on the appropriate source documentation. Examples of possible compensating controls include the following:

- The County Clerk could periodically compare the daily checkout sheet to the deposit slip and receipts ledger. Any discrepancies should be resolved and the review should be documented by initialing and dating the deposit ticket, the daily checkout sheet, and the receipts ledger.
- The County Clerk could compare total collections per monthly and weekly reports to the daily checkout sheets. Any discrepancies should be resolved and the review should be documented by initialing and dating the report.
- The County Clerk could compare cancelled checks listed on the bank statement to the amounts recorded in the disbursements ledger. Any discrepancies should be resolved and the review should be documented by initialing and dating the bank reconciliations and disbursements ledger.

We recommend the County Clerk's office immediately implement controls and oversight over the financial activities of her office to ensure errors are prevented or detected in a timely manner.

Former County Clerk Carol Sue Mill's response: All small offices usually have this comment.

The former County Clerk's office should have improved payroll procedures. Our test of payroll revealed employees did not sign time cards at the end of each week. Furthermore, there was no documentation of supervisory review and approval of time cards. Time cards cover one week. At the end of each week, employees should sign (or initial) time cards indicating the accuracy of time reported and the employee's agreement with time reported. A supervisory (or review) employee should sign (or initial) time cards indicating the time cards have been reviewed for accuracy and time worked was approved. We recommend the County Clerk's office improve payroll procedures by having each employee and a supervisory employee sign completed time cards.

Former County Clerk Carol Sue Mill's response: None.

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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