**Sample Internal Control Assessment**

 **Circuit/Sessions/Criminal Court Clerk**

Purpose: To document an understanding and assess the internal controls of the Sample County Circuit Court Clerk as it pertains to the following:

1. Whether obligations and costs of the operation are in compliance with applicable law
2. Whether county funds, property and other assets that are designated/assigned to the circuit court clerk are safeguarded against waste, loss, unauthorized use, or misappropriation
3. Whether revenues and expenditures in the circuit court clerk’s fee account and county general fund (as it relates to the circuit court clerk) are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets

Overview: Sample County Circuit Court Clerk’s office consists of the clerk, a bookkeeper, three deputy clerks and one part-time clerk. An in-depth analysis of the internal control environment for the operations of the circuit court clerk’s office was performed by Circuit Court Clerk Daniel Boone, his employees and a CTAS County Government Consultant.

1. Whether obligations and costs of the operation are in compliance with applicable law

General:

The court clerk has a written organizational chart for office employees to show clear lines of authority (who manages whom) and written job descriptions for all employees and open positions. The clerk has an updated personnel policy that is reviewed annually to assist with compliance with federal and state labor laws. The office has a copy of the most recent county ethics policy on file in the office for office employees to reference.

Physical security of the court clerk’s office:

Daniel and all his deputies have a key to the clerk’s office. However, only Daniel and Sally Ride (bookkeeper) have a key to the courthouse main door. No one other than these individuals and the county maintenance and janitor supervisors have a key to the office. The locks are rekeyed on a routine basis. Security cameras are posted in the main hallways of the courthouse, including outside the court clerk’s office door. The clerk’s vault is locked at the end of the day, and only the clerk and his deputies are permitted in the vault. Occasionally the janitor cleans the vault with a deputy (or Daniel) present.

Purchasing:

The circuit court clerk’s office complies with the adopted county purchasing policy that is in effect for Sample County Government, adopted under the Financial Management System of 1981.

Purchase orders:

Sally will fill out all purchase order requisitions with the county finance department. Daniel will sign the requisitions and coordinate with the county finance department to ensure there is funding available in the line item for the purchase, and that the vendor is on the approved vendor list. The county finance department issues the purchase order which authorizes the purchase to be made. Daniel and Sally will then place the order with the vendor. When goods arrive, the same people verify that the goods received are what are itemized on the invoice. The invoice is then initialed as goods received and forwarded to county finance for payment by accounts payable. There are no charge accounts (blanket purchase orders) at local stores.

Store cards:

The circuit court clerk’s office does not have an assigned store card, however, Sally is authorized to utilize the Walmart card that is assigned to the county finance office. When the office needs to purchase an item from Walmart, Sally will prepare a purchase order requisition, Daniel will sign it, and Sally will then get a purchase order from county finance along with the Walmart card. Sally will purchase the goods and bring the receipt and card back to county finance. Any unspent amount of the purchase order is closed after Sally initials the purchase order to verify that goods were received. Penny and Angela will go to these stores for needed purchases that are then applied to blanket purchase orders.

Contracts:

Per Sample County purchasing policy, the county finance director signs all county contracts dealing with purchasing. All contracts that are over one year in length are approved by the county commission after the county attorney reviews them. The circuit court clerk coordinates with the county finance department to ensure contract compliance per county purchasing policy. As outlined in the county purchasing policy and 1981 Financial Management System purchasing laws, the circuit court clerk does not sign any contracts.

Emergency purchases:

Daniel will coordinate with the county finance department in the case of emergency purchases that arise from unforeseen events that will require normal bidding procedures to be circumvented because of the nature of the emergency at hand. The county purchasing policy addresses emergency purchases, and the circuit court clerk’s office complies with these policies. This would be a very rare occurrence in the office.

Payroll:

Payroll is authorized each fiscal year through a letter of agreement prepared by county finance and signed by the mayor and Daniel after the adoption of the county budget. Daniel receives a copy of the adopted budget after the county commission approves it. He then receives a monthly year-to-date expenditure vs. budget report from county finance each month. Sally is responsible for bringing any anticipated budget overages to Daniel’s attention so he can inform county finance that a budget amendment is needed. All payments to employees are paid thorough payroll accounts (not vendor accounts) in order to comply with IRS tax code for payroll taxes, state unemployment compensation, workers’ comp laws and TCRS requirements.

1. Whether county funds, property and other assets that are designated/assigned to the circuit court clerk are safeguarded against waste, loss, unauthorized use, or misappropriation

***See Excel Internal Control Checklist for more detail (the below information is in summary format).***

Overview: The audited financial report detailed expenditure statements were reviewed to identify expenditures of material amounts. In the circuit court clerk’s office, material expenditure amounts were payroll, data processing services, and in-service/staff development. Internal controls over these material costs were scrutinized in-depth.

Fee account and office cash operations-receipt/disburse/deposit/reconcile/segregation of duties over cash:

The circuit court clerk’s office utilizes a computerized accounting system (TNCIS) for receipting and accounting. The software will print checks from pre-numbered check stock that the circuit court clerk and one of the court deputies will sign (two signatures required on each check). The office has a written disaster recovery plan, and the system is backed-up daily. The backup disk is stored off-site in a safe deposit box.

Daily receipting of payments into the circuit court clerk’s office are entered by any deputy court clerk except bookkeeper. Cash boxes with locks (each individual deputy has a key for the cash box assigned to them) are maintained by each deputy court clerk. The cash boxes are counted and balanced each day by the bookkeeper (the bookkepper and two deputies must initial in a journal that shows the balances match). The cash boxes with the authorized cash on hand ($100 per box, $400 total authorized for cash on hand by county commission resolution) are locked in the vault when the work day is done, and the daily work has been counted and balanced. Deposits are made no less than twice a week. Daily balances are cross-checked with deposits. Bank deposits will be prepared by any deputy other than the bookkeeper. All disbursements and reports must be approved and signed by the circuit court clerk. Checks are written at various times during the month by the bookkeeper after the pre-check register has been verified. Checks require two signatures and may be signed by the circuit court clerk and any deputy clerks designated by the circuit court clerk (the bookkeeper is prohibited from signing checks). Court deputies Tina Tightwad, Amy Ant, Kelly Bean, and Circuit Court Clerk Daniel Boone are the only bank authorized signers.

Sally performs daily, monthly, and yearly accounting functions for the general, child support, investments, court funds and tax funds. She also maintains balance reports, works with the other court deputies to balances cash drawers daily, verifies that all collected funds are receipted and works up the daily deposit. Amy then recounts the collected funds and verifies that the collected funds match with the daily receipt total report. Daniel then takes the deposit to the bank. If Daniel is out on vacation or sick, then Tina takes the deposit after Amy reviews the collections. When Daniel returns from the bank, Sally will initial deposit slips after she checks that the deposit was made intact with what is posted as the deposit in the accounting records.

Sally reviews/analyzes accounts due to overpayments or other discrepancies, researches partial or duplicate payments, makes appropriate adjustments to accounts and processes paperwork to issue refunds as appropriate. Sally must notify Daniel of any discrepancies or adjustments made along with the proper footnote or journal entry. Daniel reviews any journal entries made during the month when he reviews the month-end reports. Daniel also reviews TNCIS audit logs monthly to ensure that any adjusted entries or voided receipts are legitimate and identified by him.

Sally prepares various monthly and yearly financial reports including I.R.S., TN. Department of Revenue, State Department of Labor, etc. She prepares all financial reporting forms or other documentation, compiles data for report preparation, submits reports/forms to appropriate individuals as well as reconciles monthly budget reports. When applicable, Sally is responsible for collecting the required I.R.S. information from the vested party(s), individual(s), or attorney(s) who are receiving a taxable settlement and/or compensation. In addition, the court accountant, Sally reviews the documents, and Sally calculates and prepares all appropriate I.R.S. forms. Daniel will review these reports and sign them before they are forwarded on to the applicable agencies.

Investments:

All court funds (with a court order to place in interest bearing funds for the benefit of the litigant) are placed in interest bearing investment accounts. Investments are limited to state authorized investment accounts (CDs, Money Market Accounts, CDARS program, etc.). If Daniel had a question about the legality of a potential investment, he would contact the state treasurer’s office.

Unclaimed funds:

Sally does an in-depth review of the docket trial balance and the outstanding checklist each year to identify any unclaimed funds that are greater than one year old. Sally prepares due diligence letters for all old, unclaimed funds. Daniel will review and sign these letters. Any funds still not claimed after due diligence letters have been mailed are filed with the State Unclaimed Property Division.

Litigation taxes and fees:

Daniel reviews the litigation taxes and fees that his office charges annually and coordinates with the AOC to ensure what is being assessed on each case is in compliance with the law and up to date. Daniel maintains a folder with copies of certified county commission resolutions authorizing all county optional litigation taxes (courthouse renovation, etc.) and fees (archives, etc.) that his office collects. Daniel utilizes the flat fee system. The majority of cases filed in the circuit court clerk’s office require all taxes and fees to be paid up front (except indigent cases with a court order). Therefore, there are very little taxes or fees (e.g., continuances, show causes) that are not paid on the front end of filing the original motion. The small amount of unpaid taxes and fees are turned over to a third party collection company to attempt collection as authorized under T.C.A. 20-12-144.

Payroll:

The circuit court clerk's office deputies are paid every two weeks through the county finance department and receive their pay via direct deposit. Each court clerk deputy prepares a manual timesheet that includes hours worked and any annual/sick leave taken. At the end of the pay period, Daniel will review and approve each employee’s timesheet and updates an office leave accrual Excel spreadsheet for annual/sick time earned and used. Daniel then forwards the signed timesheets to the county finance office for payroll processing. Daniel does not utilize overtime but provides his deputies comp time in the rare occurrences they work greater than 40 hours a week. County finance maintains a personnel file for each employee with a copy of the authorization for the current pay level for each employee along with signed copies of the forms authorizing any payroll deduction. To guard against ghost employees and to ensure accuracy of payroll disbursements, Daniel reviews the itemized check listing each pay period.

1. Whether revenues and expenditures in the circuit court clerk’s office are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets

Sally is responsible for coordinating with the county trustee’s office to ensure all receipted funds are coded to the correct revenue line item each month. Daniel coordinates with the county finance department to ensure purchase orders for non-payroll items are coded to the correct object code and expenditure budget. Daniel reviews the accrued leave liability for his deputies at the end of the fiscal year and gives a copy of this to the finance department. Daniel reviews the year-end trial balance, closing entries and bank reconciliations with Sally, and this information is placed with the month end and year-end reports for the independent auditors. Daniel pays particular attention to ensure that subsidiary ledgers (investments, docket trial balance, court funds, etc.) are detailed, reconciled to the general ledger trial balance, and do not contain “plug numbers” to balance. Sally completes the annual financial report and files this with the county mayor and county clerk. Sally coordinates with the county finance office to ensure capital asset records for external reporting purposes are up to date and in compliance with county capital asset policies for any capital assets that are assigned to the circuit court clerk’s office and require tracking.