



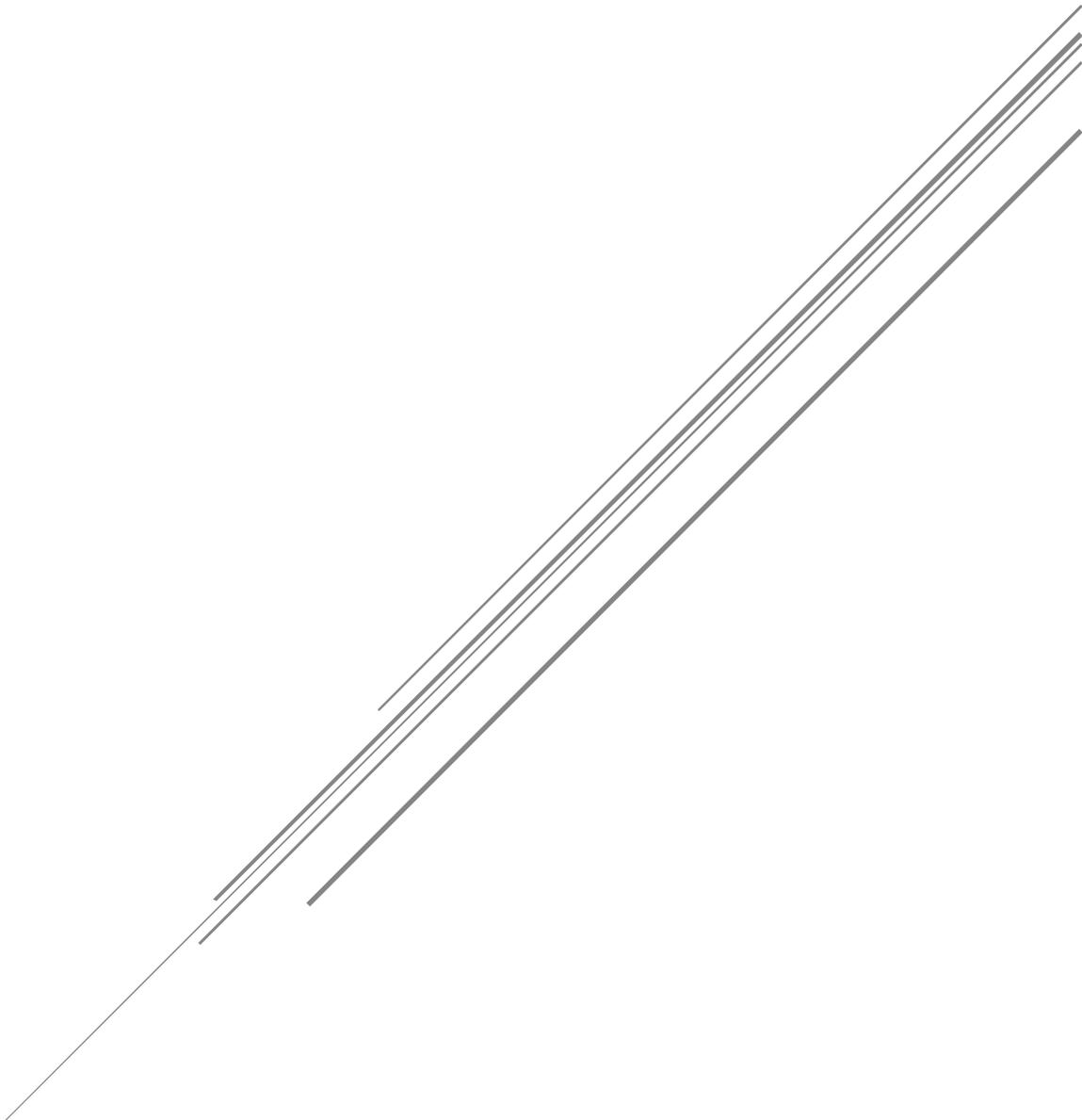
County Technical Assistance Service
INSTITUTE FOR PUBLIC SERVICE

INTERNAL CONTROLS 2

State Court Clerks & Clerks and Masters

SAMPLE RISK ASSESSMENT

On Solid Ground



Internal Controls 2

Sample Risk Assessment

State Court Clerks & Clerks and Masters

One of the most important things in an internal control toolbox is the ability of management to perform a risk assessment of their current internal control process and procedures. Equally important for management is to address any concerns, deficiencies or other issues that arise as a result of the assessment.

The assessment should cover the original internal controls adopted in 2016 and any new risks that come to light.

On [month day], 2018, Sample State Court Clerk and management team conducted a risk assessment and reviewed the audit findings of the Sample State Court Clerk's office.

I. Whether obligations and costs of the operations are in compliance with applicable law.

General

The court clerk has a written organizational chart, written job descriptions and an updated personnel policy. The clerk has the county's latest ethic policy on file in their office. All policies and written descriptions have been reviewed with each office employee.

Risk Assessment Threat - Low

Physical Security of the court clerk's office

All employees including the court clerk have a key to the office. The court clerk and management team have keys to the main courthouse door. Outside of court clerk office employees, only county maintenance and janitorial employees have a key to the office. No employee outside of the court clerk's office is allowed into the office without permission from the clerk. During the two (2) years internal controls have been in place the office has zero turnover and therefore no rekeying of the door locks.

Risk Assessment Threat - Low

Purchasing

The court clerk complies with the adopted purchasing policies of the county. The court clerk does not have a store/credit card and does not use the county's card. The court clerk did not sign any contracts during the fiscal year. The court clerk did have two (2) emergency purchases relative to computer equipment. The emergency PO process was followed by the court clerk.

Risk Assessment Threat - Low

Payroll

The court clerk has an approved Letter of Agreement on file. The court clerk's office received a copy of the county's current budget and reviewed the budget to ensure the court clerk's budget was correct. The court clerk reviews their budget monthly for accuracy. The court clerk's office had several budget amendments during the year relative to office equipment/supplies. There were no personnel related amendments or budgetary issues during the year.

Risk Assessment Threat - Low

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Litigation Taxes and Fees

The court clerk's office is on the flat fee system. The court clerk collects all litigation taxes in accordance with state statute and commission resolution(s). The court clerk processes notification and collection of outstanding fines and costs in-house.

Risk Assessment Threat - Low

Investments

The court clerk is in compliance with all applicable statutes, court orders, and judgments relating to investment of trusts.

Risk Assessment Threat - Low

Unclaimed Funds

The court clerk has reviewed the docket trial balance and outstanding check list against any unclaimed funds greater than one year old. All funds identified greater than one year old are turned over to the Tennessee Department of the Treasury Unclaimed Property Division on May 1st.

Risk Assessment Threat - Low

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

The court clerk and management team reviewed the most recent audited financial report and determined the following areas as material: (1) payroll and (2) data processing services.

The court clerk's office still utilizes the computerized court software system. The procedures outlined in the court clerk's internal controls process for daily receipting, reporting and accounting for general, child support, investments, court, and tax funds are still in effect and followed by office staff.

Risk Assessment Threat - Low

III. **Whether revenues and expenditures in the court clerk's office are appropriately recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports to maintain accountability over the assets.**

The court clerk and management team performed the following activities:

- Reviewed accrued leave liability and submitted the report to the mayor's office.
- Reviewed year end trial balance, closing entries, and bank reconciliations.
- Prepared year end reports.
- Completed annual financial report.
- Coordinated with mayor's office to prepare the year end capital asset report.

Risk Assessment Threat - Low

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Risk Assessment Concerns

The court clerk and management team have identified the following concerns as possible risks/threats to the office:

High

- The employee with access to the overage bag closing out at a higher or lower amount than actual.
- Employees can force a cash balance and close their cash drawer at any point during the day.
- Unclaimed property from judgments or court orders.

Medium

- The court office software system allows for any employee with access to the G/L system to add an account.
- The State of TN requires ACH for unclaimed property. The court office software system does not allow ACH, so this could pose a serious risk to the clerk's office.
- Audit logs in the clerk's office are huge and time consuming to review by staff.

Low

- Physical security - door locks, computer passwords, etc.

SAMPLE RISK ASSESSMENT

Room for Improvement



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One of the most important things in an internal control toolbox is the ability of management to perform a risk assessment of their current internal control process and procedures. Equally important for management is to address any concerns, deficiencies or other issues that arise as a result of the assessment.

The assessment should cover the original internal controls adopted in 2016 and any new risks that come to light.

On [month day], 2018, Sample State Court Clerk and management team conducted a risk assessment and reviewed the audit findings of the Sample State Court Clerk’s office.

I. Whether obligations and costs of the operations are in compliance with applicable law.

General

The court clerk has a written organizational chart, written job descriptions and an updated personnel policy. The clerk does not have the county’s latest ethic policy on file in their office. All policies and written descriptions may not have been reviewed with each office employee.

Risk Assessment Threat - Low

Physical Security of the Court Clerk’s Office

The court clerk did not retrieve the office keys of a terminated employee. There is no list of distributed keys to the office. The court clerk is unaware of who else within the county also has a key to the office.

Risk Assessment Threat - Low

Purchasing

The court clerk did not comply with county purchasing policies. The court clerk used the county’s procurement card for unauthorized purchases. The court clerk made office renovations over the purchasing threshold without soliciting bids.

Risk Assessment Threat - Medium

Payroll

The court clerk has an approved Letter of Agreement on file. The court clerk’s office received a copy of the county’s current budget and reviewed the budget to ensure the court clerk’s budget was correct. The court clerk reviews their budget monthly for accuracy. The court clerk’s office had several budget amendments during the year relative to office equipment/supplies. There were no personnel related amendments or budgetary issues during the year.

Risk Assessment Threat - Low

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Litigation Taxes and Fees

The court clerk's office is on the flat fee system. The court clerk collects all litigation taxes in accordance with state statute and commission resolution(s), however one of the audits found that several of the amounts were not consistent with the commission resolutions. Further, while the court clerk processes notification and collection of outstanding fines and costs in-house, they were only able to collect 20% of those outstanding fines.

Risk Assessment Threat - Low/Medium

Investments

The court clerk is in compliance with all applicable statutes, court orders, and judgments relating to investment of trusts.

Risk Assessment Threat - Low

Unclaimed Funds

The court clerk has reviewed the docket trial balance and outstanding check list against any unclaimed funds greater than one year old. Unclaimed funds were not reported and paid to the state.

Risk Assessment Threat - High

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

The court clerk and management team reviewed the most recent audited financial report and determined the following areas as material: (1) payroll and (2) data processing services.

It was found that the court clerk allowed an employee to take sick leave without reporting the leave hours. An employee was allowed to take sick leave when they did not have enough accrued hours of sick leave and the employee still received full compensation.

The court clerk's office still utilizes the computerized court software system. The court clerk did not review software audit logs. Additional audit findings included: execution docket trial balances were not prepared; bank statement balances were not reconciled; and routinely missed the three-day deposit law.

Risk Assessment Threat - High

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

The court clerk and management team received the following audit findings:

- Did not review accrued leave liability and submitted the report to the mayor's office.
- Year-end trial balance required material audit adjustments.

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- Prepared year-end reports.
- Completed annual financial report.
- Coordinated with mayor's office to prepare the year-end capital asset report.

Risk Assessment Threat - High

Risk Assessment Mitigation

Accounting Issues

The first step to mitigate risk related to issues in accounting, the court clerk should first review their staff to assess strengths and abilities. Assigning operational tasks to staff who are best suited to those tasks can help mitigate some of these issues.

The next step is to identify opportunities where staff have not or could not follow established policies. To address this issue, the court clerk should provide additional training related to the policies to ensure all staff understand and are able to follow all county policies.

Management Team

The court clerk may also need to assess the management team to address any issues related to management style and ability. It is important for the court clerk's management team understands and communicates all county policy to office staff and is motivated to enforce those policies. The tone is set at the top - if the management team is performing risky operational behavior, the office staff will follow suit.

In addition to assessing the management team, the court clerk should also review operational policies for missing documentation such as a list of who has an office key, who has access to computer passwords, and any additional office-related policies.