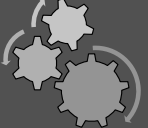


MOVING FORWARD WITH SOUND INTERNAL CONTROLS
-STATE COURT CLERKS-
2018



UT County Technical Assistance Service
INSTITUTE FOR PUBLIC SERVICE

PURPOSE OF THIS CLASS

- ❖ Expand on initial internal controls training back in 2016
- ❖ Court clerk office specific issues
- ❖ Focus of this class is Risk Assessment

UT County Technical Assistance Service
INSTITUTE FOR PUBLIC SERVICE

T.C.A § 9-18-102(A)


An amendment to state law requiring all county governments to establish and maintain internal controls which provide **reasonable** assurance that...

1. Obligations and costs are in compliance with applicable law;
2. Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
3. Revenues and expenditures 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.

Law took effect June 30, 2016!
You should have documented internal controls by now. UT County Technical Assistance Service
INSTITUTE FOR PUBLIC SERVICE


WHAT HAS HAPPENED SINCE THE DEADLINE...

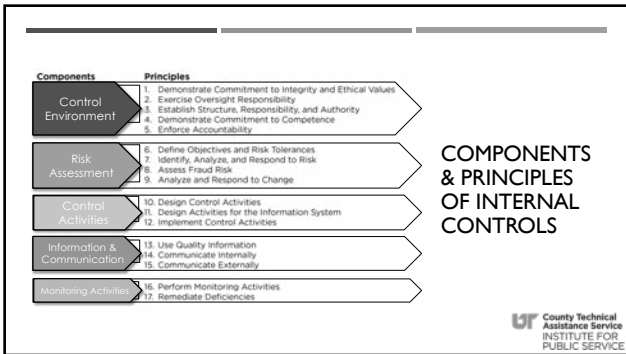
- ❖ Majority of county offices met deadline
- ❖ Auditors, in general, worked with county officials that at least made an attempt.
- ❖ Audit findings dealing with internal control deficiencies dropped



WHAT TO EXPECT THIS YEAR


- ❖ Audit will be reviewing the written assessments for offices in each county
- ❖ Auditors will be actually verifying performance of the controls that are documented
- ❖ May see an increase in internal control findings in some offices.






AUDIT FINDINGS 2017

- ❖ Segregation of Duties
- ❖ Cash shortages
- ❖ No preparation of adequate trial balance of execution docket
- ❖ Failure to comply with deposit law
- ❖ Multiple employees using same cash drawer



WHAT SHOULD I DO TO ENSURE COMPLIANCE?

- ❖ Review your written internal control procedures/assessment and ask yourself...
 1. Is the written documentation accurate according to my office's current operations?
 2. Have I implemented new technology in my office?
 3. Have I hired new staff or changed any financial duties of my staff?
 4. Have I moved?
 5. Have I assumed the responsibility of a new court?




DON'T FORGET TO...

Review your segregation of duties spreadsheet!



ONCE YOU HAVE REVIEWED YOUR WRITTEN PROCEDURES/POLICY...


- ❖ Compare written documentation with office operations
 - ❖ Are you comfortable with the comparison?
- ❖ Assess staff abilities, particularly management team
 - ❖ Is staff training needed?
- ❖ Fill in missing documentation



WHAT YOU ARE LOOKING FOR IN YOUR RISK ASSESSMENT...

- ❖ Identify specific risks
- ❖ Consider risk factors
- ❖ Understand that the elected official is ultimately responsible
 - ❖ Tone is **set at the top**


Be sure to update your written procedures for any changes you deem needed.



REDUCING RISKS TO TOLERABLE LEVELS...


- ❖ Identify factors that may increase risk
 - ❖ Lack of segregation of duties
 - ❖ Computer passwords taped onto computers
 - ❖ Employees operating out of same cash drawer, etc.
- ❖ Determine the significance of risk and likelihood of fraud, waste, abuse and inaccurate financial reporting (think reducing risk vs. cost of control).
- ❖ Develop specific actions to reduce the risk to an acceptable level.

A risk matrix is very useful tool when you can't eliminate risk




RISK MATRIX

- ❖ Defines the various levels of **risk** as the product of the harm probability categories and harm severity categories.
- ❖ A simple mechanism to increase visibility of risks and **assist** management decision making.




A SAMPLE RISK MATRIX

Risk Matrix		Impact			
		Negligible	Minor	Major	Extensive
Likelihood	Certain	High	High	Extreme	Extreme
	Likely	Medium	High	High	Extreme
	Possible	Low	Medium	High	Extreme
	Unlikely	Low	Low	Medium	Extreme
	Rare	Low	Low	Medium	High



USING THE RISK MATRIX

- ❖ Identify your risks
- ❖ Calculate what levels of risk you can take with different events.
- ❖ Decide what internal controls you wish to implement and the benefit gained from them. Think cost vs benefit.



RISK EXAMPLES

- ❖ **Low** risk - Failure to meet 3-day deposit law
- ❖ **Medium** risk - Sharing passwords
- ❖ **High** risk - Working out of the same cash drawer; no segregation of duties
- ❖ **Extreme** risk – Computerized software system is hacked

UT County Technical Assistance Service INSTITUTE FOR PUBLIC SERVICE

10 MINUTES

**TAKE
A
BREAK**

COMMON INTERNAL CONTROL ISSUES

- ❖ How to properly review an audit log
- ❖ Red flags to look for on an audit log
- ❖ Is there a procedure for supervisors to authorize receipt voids?
- ❖ Is the receipt voiding procedure being followed?

UT County Technical Assistance Service INSTITUTE FOR PUBLIC SERVICE

INTERNAL CONTROL REPORTS ❖ Potential Internal Control Issues to Investigate

JOURNAL LISTINGS

Things To Look For

Sample Report: 12 Standard Journal Listing - 08
 Created By: 0001
 Local Government: Hamilton County
 Report Period: March 2018
 Date: 3/31/2018
 Date Time: 3/31/2018 10:30 AM
 Page: 2 of 2

Account Number: 999

Transaction #	Type	Description	Debit	Credit
999-1100-1-1-010	CR	Cash to Bank - Bank Account	6.00	6,000.00
999-1100-1-1-100	CR	Cash to Bank - Operating Account	20,000.00	6.00
		Transaction Total	26,006.00	6,006.00
		Month Total	26,006.00	6,006.00

Questionable Journal Entries

Sample Report: 12 Standard Journal Listing - 08
 Created By: 0001
 Local Government: Hamilton County
 Report Period: March 2018
 Date: 3/31/2018
 Date Time: 3/31/2018 10:30 AM
 Page: 2 of 2

Account Number: 999

Transaction #	Type	Description	Debit	Credit
999-1100-1-1-010	CR	Cash to Bank - Bank Account	6.00	6,000.00
999-1100-1-1-100	CR	Cash to Bank - Operating Account	5,000.00	6.00
		Transaction Total	11,006.00	6,006.00
		Month Total	11,006.00	6,006.00

Questionable Transfers

UT County Technical Assistance Service INSTITUTE FOR PUBLIC SERVICE

ACCOUNT ANALYSIS

Things To Look For

Sample Report: 12 Standard Account Analysis
 Created By: 0001
 Local Government: Hamilton County
 Report Period: 03/1/2018 - 03/31/2018
 Date: 3/31/2018
 Date Time: 3/31/2018 10:30 AM
 Page: 1 of 1

Account Number: 999

Transaction #	Type	Description	Debit	Credit	Balance
03/01/18	010	DR	6.00	1,000.00	(1,006.00)
03/01/18	010	DR	10,000.00	6.00	(20,012.00)
03/01/18	1100	CR	1,000.00	6.00	(1,006.00)
		Month Total	11,012.00	12,012.00	1,000.00
		Year Total	1,000.00	1,000.00	1,000.00

Deposits Leaving Balances in Cash on Hand

UT County Technical Assistance Service INSTITUTE FOR PUBLIC SERVICE

VOIDED RECEIPT LISTING

Things To Look For

Template Name: Voided Receipt Listing
 Created By: John Doe
 Local Government Corporation: Voided Receipt Listing
 User: John Doe
 Date/Time: 3/15/2018 9:20:17 AM
 Page 1 of 1

Year	Receipt Number	Original Receipt Number	Receipt Type	Total Debit	Total Credit	User Name	Void Reason	Receipt Date	Receipt Amount
2017	000008	1	Void Receipts	1250.00	0.00	Wrong Cost Center		12/15/2017	85.00
2017	000014	2	Void Receipts	1250.00	0.00	Wrong Fund		12/15/2017	85.00
2017	000017	1	Void Receipts	1250.00	0.00	Wrong Fund		12/15/2017	85.00
2017	000018	1	Void Receipts	1250.00	0.00	Wrong Receipt Code		12/15/2017	87.00
2017	000019	8	Void Receipts	1250.00	0.00	Wrong Description		12/15/2017	84.00
2017	000020	1	Void Receipts	1250.00	0.00	Wrong Fund		12/15/2017	84.00
Total For Items 0000									632.00
Total									632.00

Questionable Voided Receipts

UT County Technical Assistance Service INSTITUTE FOR PUBLIC SERVICE

UNPRORATED TRANSACTION REPORT

Things To Look For

User: John Doe
 Date/Time: 3/15/2018 9:52:40 AM
 Local Government Corporation: Unprorated Transaction Report
 Page 1 of 1

Date	Type	Tax Year	Receipt Number	TransactionType	Description	Total Amount
02/15/2018	PR	2017	3264	Receipt	John Smith	\$1,500.00
02/15/2018	PR	2017	3265	Receipt	David Allen	\$2,500.00
Total:						\$4,000.00

From Transaction Date: 02/15/2018
 Thru Transaction Date: 02/15/2018

There should be no unprorated (unposted) receipts

UT County Technical Assistance Service INSTITUTE FOR PUBLIC SERVICE

- ### HOW TO REVIEW A COMPLETED BANK RECONCILIATION
- ❖ Review frequency of deposits (max three days)
 - ❖ Canceled checks, who were they made out to?
 - ❖ Bank transfers – were they authorized and where did the money go?
 - ❖ Are there “plug numbers”?
- UT County Technical Assistance Service INSTITUTE FOR PUBLIC SERVICE

FOOD FOR THOUGHT...

- ❖ Independent auditors determine materiality of deficiencies each year, per single audit standard
- ❖ A management brainstorming session within the court clerk's office is essential to a good risk assessment/sound internal controls
- ❖ **NO ONE** knows your court clerk office better than **YOU** and your management team!

UT County Technical Assistance Service
INSTITUTE FOR PUBLIC SERVICE

REMEMBER...

Once your internal controls are in place and you have assessed your risk -

Ensure **CONTROL**
Keep **COMMUNICATING**
Keep **MONITORING**

UT County Technical Assistance Service
INSTITUTE FOR PUBLIC SERVICE

THANK YOU!
FOR THE INVITATION TO BE HERE WITH YOU

UT County Technical Assistance Service
INSTITUTE FOR PUBLIC SERVICE
