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Clerk of the Circuit Court & Comptroller

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Court Management

Cash Handling

Audit Number: 2019-A-0005

Issued: January 3, 2020

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Internal Auditor

Summary

What We Did

We performed a cash¹ handling review of various Martin County Clerk & Comptroller (“Clerk”) departments. Our review focused on public facing departments that have been issued change drawer/petty cash funds. The Clerk has a divided reporting structure wherein some functional units report to the Chief Deputy of Court Management (“Court Management”) while others report to the Chief Deputy of Operations (“Clerk Operations”). Because of the dual reporting structure we issued separate audit reports outlining, where applicable, our observations and recommendations. The following reports have been issued:

Court Management	2019-A-0005
Clerk Operations	2019-A-0006

The following information relates to **Court Management**:

What We Found

Generally, Court Management’s existing system of internal control reduces the risk associated with cash misappropriation. Overall, the control environment is effective and operating as designed; however, we identified the following areas for improvement:

Current Clerk Cash Handling Policies and Procedures manual requires updating.

The Clerk Cash Handling Policies and Procedures manual (“Manual”), February 2009 Revision, does not reflect current refund statutory language. Specifically, §28.244 Fla. Stat. states; “... If the amount of the overpayment is \$10 or less, the clerk... is not required to refund the amount of the overpayment unless the person who made the overpayment makes a written request.” In contrast, the “**Overages and Shortages**” section of the Clerk’s Manual states; “... Check overages for \$5.00 or less will be retained by the Clerk unless requested in writing by the payor.”

Furthermore, the Manual contains language requiring it to undergo an annual review; however, it does not appear to have been reviewed since February 2009.

¹ For our purposes “cash” includes currency, coins, checks and credit cards.



Court Management departments neglected to implement a department-level cash handling procedure manual.

Four of the 7 departments included in Court Management—Civil, Domestic, Probate and Juvenile—have not implemented a department-level cash handling procedure manual.

Deputy Clerks, with cash handling responsibilities (“cashiers”), should be required to acknowledge that they are familiar with established cash handling policies and procedures.

Court Management departments did not provide cashiers with a copy of the Clerk’s Manual. Moreover, we were informed by the Clerk’s human resource department that the document is not provided to new hires during the on-boarding process. However, the Compliance, Criminal and Traffic departments have developed department-level cash handling policies and procedures. It is our understanding cashiers in these units are provided the applicable cash handling document.

Cashiers are held accountable for the daily balancing of their change drawers through mechanisms such as performance appraisals and disciplinary actions. Therefore, senior management should ensure cashiers receive a copy of the policy for which they will be held accountable.

Cashier training could be improved.

Cash handling training is performed separately by each department without coordination by senior management. Although the Clerk’s decentralized training is adequate, staff competencies could be improved by developing a uniform cash handling training document. This “good guidance” document would serve as (1) a training tool for new clerks; and, (2) a remedial tool for existing clerks.

What We Recommend

We made nine recommendations that if implemented will strengthen the Clerk’s cash handling system of internal control by: updating its Manual to reflect current statutory language and operating practices; implementing department-level cash handling procedures manuals; ensuring cashiers are aware of applicable Clerk/Department cash handling manuals; and, increasing staff competencies by developing a “good guidance” document that can be used as a training tool for new/existing staff.

On December 11, 2019, Court Management submitted its response to the Audit Report wherein, it agreed with our recommendations. Management’s entire response has been included as **Attachment A** to this report.

Martin County Clerk & Comptroller

The Florida Constitution established the clerk of the circuit court as the local constitutional officer who serves as the public trustee for the county. In addition to serving as the clerk to the courts, the clerk provides a county level system of checks and balances through services as the county comptroller, clerk to the board of county commissioners, guardian of public and official records, clerk to the value adjustment board and internal auditor of county funds.

Internal audit activity is established as a responsibility of the clerk of the circuit court by Florida Constitution Article VIII, §1, cl.(d) as the “ex officio clerk of the board of county commissioners, auditor, recorder and custodian of all county funds.” The internal audit activity is administered on the government operations of the County Clerk, and its functional divisions, and the Martin County Board of County Commissioners, and its functional divisions, as specified in the State Constitution, State Statutes and decisions and opinions of the State Judiciary.

Background

The Clerk’s office provides an array of public services including, but not limited to, collecting cash related to criminal cases, civil cases, domestic cases, appeals, official records and traffic violations. The Clerk has a divided reporting structure wherein some functional units report to Court Management while others report to Clerk Operations.

According to records maintained by the Clerk’s Financial Services department, cash has been provided to the following departments assigned to Court Management and Clerk Operations:

Court Management	Clerk Operations
Civil	Commission Records
Compliance	Financial Services
Criminal	Hobe Sound (branch)
Domestic Relations	Indiantown (branch)
Juvenile	Official Records
Probate	
Traffic	

From time-to-time the Appeals department collects monies; however, it does not have a change drawer. Therefore, its operating practices did not fall within the scope of our audit.

Furthermore, the Finance department has two funds: (1) a [REDACTED] petty cash drawer; and (2) a [REDACTED] "bank" to make change for Clerk Operations departments and Court Management departments, when needed. Although we did not review Finance's cash handling processes, we did verify that the monies were properly maintained and in possession of the designated custodian.

Court Management Observations and Recommendations

Observation (1)

The Martin County Clerk & Comptroller Cash Handling Policies and Procedures Manual should be reviewed to ensure it reflects current operating practices.

Criteria

Martin County Clerk & Comptroller Cash Handling Policies and Procedures (*February 2009 Revision*) manual:

Annual Review: An annual review of the Clerk's cash handling policies, procedures, functions and processes will be performed and recommendations will be made to the Clerk as needed.

United States Government Accountability Office, Standards for Internal Control in the Federal Government (*September 2014 Revision*), states in part:

12.04 Management periodically reviews policies, procedures, and related activities for continued relevance and effectiveness in achieving the entity's objectives or addressing related risks. If there is a significant change in an entity's process, management reviews this process in a timely manner after the change to determine that control activities are designed and implemented properly.

Internal Audit Review

Sound internal control practices include having written, accurate and updated policies and procedures. **Policies** should be designed to promote the conduct of authorized activities in an effective, efficient

and economical manner, while providing a satisfactory level of assurance that resources are adequately safeguarded. **Procedures** are the methods applied to carry out the activities prescribed in a policy. Policies and procedures should be periodically reviewed, improved and updated as operating practices change.

The Clerk's Manual was last revised in February 2009, and does not reflect current statutory language addressing refunds. Specifically, §28.244 Fla. Stat. states "... If the amount of the overpayment is \$10 or less, the clerk... is not required to refund the amount of the overpayment unless the person who made the overpayment makes a written request. In contrast, in the "**Overages and Shortages**" section of the Clerk's current policy it states "... Clerk overages for \$5.00 or less will be retained by the Clerk unless requested in writing by the payor."

Recommendations

1. Review the Cash Handling Policies and Procedures manual (*February 2009 Revision*) to ensure it reflects current operating practices and, where applicable, conform to governing statutory language.
2. The Cash Handling Policies and Procedures manual should be periodically reviewed to ensure it reflects current operating procedures and conforms to governing statutory language.
3. The updated Cash Handling Policies and Procedures manual should be communicated to all employees who have cash handling responsibility.

Response

Court Management agrees with our recommendations acknowledging "that the Cash Handling Policies and Procedures Manual should be reviewed and updated to reflect current statutory language and operating practices, and said revisions should be communicated to all employees who have cash handling responsibilities."

Observation (2)

Four Court Management departments do not have a department-level cash handling procedure manual.

Criteria

Martin County Clerk & Comptroller Cash Handling Policies and Procedures Manual (*February 2009 Revision*)—General Guidelines—states: “Each department shall maintain a fully documented procedures manual of its cash handling policies and procedures.”

Internal Audit Review

Four of the 7 departments reporting to Court Management—Civil, Domestic, Juvenile and Probate—have not implemented a department-level cash handling procedure manual. However, the Juvenile department consists of a single staff member who reports to the manager overseeing the Criminal and Traffic departments. Furthermore, interviews of staff identified that when the Juvenile department accepts payment, the monies are deposited with receipts from the Traffic department. Similarly, we determined that the Domestic Relations and Probate department staffs report to the same manager.

Establishing procedures is a control activity enacted by management to assist it in achieving organizational goals and objectives. **Procedures** are methods employed to carry out activities in conformity with prescribed policies. Procedures have the following characteristics:

- Clearly stated in writing in systematically organized handbooks, manuals, or other publications and should be properly approved.
- Communicated to all officials and appropriate employees.
- Written in conformity to applicable laws and regulations.
- Designed to promote the conduct of authorized activities in an effective, efficient and economical manner.
- Periodically reviewed and revised when circumstances change.
- Coordinated so that one employee’s work is checked by another who is independently performing separate duties.
- For non-mechanical operations, not so detailed as to stifle the use of judgement.
- Not overlapping, conflicting or duplicative.
- Periodically reviewed and improved as necessary.

Recommendations

4. The Juvenile department should establish a documented cash handling procedure manual.

Court Management should evaluate the merits incorporating the Juvenile department cash handling procedures into the existing Criminal department document.

5. The Domestic Relations department should establish a documented cash handling procedure manual.

6. The Probate department should establish a documented cash handling procedure manual.

Court Management should evaluate the merits of establishing a single cash handling procedure manual for the Domestic Relations and Probate departments.

Response

Court Management agrees with our recommendations acknowledging “that the Civil, Domestic, Juvenile and Probate Divisions should implement written (documented) department-level cash handling procedure manuals.”

Observation (3)

Court Management should ensure cashiers acknowledge receiving the cash handling policies and procedures for which they are held responsible.

Criteria

Standards for Internal Control in the Federal Government (*September 2014 Revision*) Principal 12 – Implement Control Activities.

Internal Audit Review

In the section titled “Documentation of Responsibilities through Policies,” the United States Government Accountability Office provides good guidance relating to policies and procedures. Specifically, it states:

12.02 Management documents in policies the internal control responsibilities of the organization.

12.03 Management documents in policies for each unit its responsibility for an operational process’s objectives and

related risk, and control activity design, implementation, and operating effectiveness. **Each unit, with guidance from management, determines the policies necessary to operate the process based on the objectives and related risks for the operational process** *[emphasis added]*. Each unit also documents policies in the appropriate level of detail to allow management to effectively monitor the control activity.

12.04 Those in key roles for the unit may further define policies through day-to-day procedures, depending on the rate of change in the operating environment and complexity of the operational process. Procedures may include the timing of when a control activity occurs and any follow-up corrective actions to be performed by competent personnel if deficiencies are identified. **Management communicates to personnel the policies and procedures so that personnel can implement the control activities for their assigned responsibilities** *[emphasis added]*.

Based upon management interviews and a review of the responses to the cash handling questionnaire, we identified that none of the Court Management departments provided cashiers with a copy of the Clerk's Manual. Moreover, we were informed by the Clerk's human resource department that the Manual is not provided to new hires during the on-boarding process.

However, the Compliance, Criminal and Traffic departments have developed department-level cash handling policies and procedures. It is our understanding that cashiers in these units are provided the applicable cash handling document.

Recommendations

7. Cashiers should be provided with the Clerk Cash Handling Policies & Procedures manual during the on-boarding process.
8. Court Management should ensure that cashiers acknowledge receiving the Clerk's Manual, and the applicable department-level, cash handling policy/procedure manuals. Supporting documentation should be maintained.

Response

Court Management agrees with our recommendations acknowledging "that cashiers should be provided and acknowledge receipt of the Cash Handling Policies and Procedures Manual."

Observation (4)

Cashier training could be improved.

Criteria

Standards for Internal Control in the Federal Government (*September 2014 Revision*) Principal 4 – Demonstrate Commitment to Competence.

Internal Audit Review

The sections titled “Expectations of Competence” and “Recruitment, Development and Retention of Individuals” provide good guidance addressing the competency and training elements within an entity’s control environment. Specifically, the “Expectations of Competence” section, in part, states:

4.02 Management establishes expectations of competence for key roles, and other roles at management’s discretion, to help the entity achieve its objectives. Competence is the qualification to carry out assigned responsibilities.

4.03 Management considers standards of conduct, assigned responsibility, and delegated authority when establishing expectations. Management establishes competencies for key roles.

4.04 Personnel need to possess and maintain a level of competence that allows them to accomplish their assigned responsibilities, as well as understand the importance of effective internal control.

Furthermore, the “Recruitment, Development, and Retention of Individuals” section, in part, states:

4.05 Management recruits, develops, and retains competent personnel to achieve the entity’s objectives. Management considers *[among other items]* the following:

Train – Enable individuals to develop competencies appropriate for key roles, reinforce standards of conduct, and tailor training based on needs of the role.

The Clerk’s cash handling training is performed separately by each department without coordination by senior management. Although

the Clerk's decentralized training is adequate, staff competencies could be increased by developing a uniform cash handling training document. This document should be the result of a collaboration between department managers that incorporates the "best practices" from each department into a single uniform document. This "good guidance" document would serve a dual purpose:

- A uniform training tool for all new clerks
- A remedial tool for existing clerks

Items to consider include: how to make change; how to count money back to customers; and, how to balance your cash drawer.

Recommendation

9. Enhance staff competencies by developing a uniform cash handling training document consisting of the "best practices" from individual Clerk departments.

Response

Court Management agrees with our recommendation acknowledging "that cashier training could be improved."

Internal Audit Comment

Each department manager was requested to complete a cash handling questionnaire. The responses were discussed/verified when we met individually with each manager. Generally, the departments have implemented adequate internal controls to reduce the risk of cash misappropriation.

The following information was obtained from the department questionnaires and is it not a finding/observation; however, it may provide Court Management with additional operational insight:

Discretionary Funds

Multiple Court Management departments [REDACTED]

- Criminal/Juvenile – maintains an internal tracking sheet for contributions and disbursements. [REDACTED]
[REDACTED] Department performs a yearly reconciliation.

- Domestic /Probate – maintains an internal tracking sheet for contributions and disbursements. [REDACTED]
- Compliance – funds collected on an as-needed basis.
- Civil – funds collected on an as-needed basis

Cash Balancing Form

None of the seven Court Management departments required cashiers to “sign” their daily cash balancing form. This appears to be in violation of Clerk’s Manual, whereas it states “collections for each individual cash drawer must be reconciled daily, documented, **signed off by the responsible cashier** [emphasis added] and deposited daily.” However, the Manual is unclear because it does not make a distinction between a signature and an electronic signature.

Because the departments use an electronic balancing form, which is populated with the responsible cashier’s name prior to submission, we decided not to make this a finding within the audit report.

Audit Objectives and Scope

To assess if Court Management departments have adequate internal controls to mitigate risk associated with cash misappropriation. We reviewed current cash handling practices for compliance with established policies, procedures and available good guidance.

Audit Methodology

Audit **procedures** included, but were not limited to:

- Reviewing established policies and procedures
- Identifying good guidance publications
- Observation of cash collection practices
- Observation of cash counts
- Interviewing staff

The audit was planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for our comments and conclusion based upon the audit objectives. This audit report is intended to provide management, and those charged with governance and oversight, with information to improve program performance and operations, reduce cost, facilitate decision making by parties with responsibility to oversee or initiate corrective action and contribute to public accountability. We believe that the evidence obtained

provides a reasonable basis for our comments and conclusions based upon our stated objectives.

Acknowledgement

Internal Audit staff would like to extend our appreciation to Court Management department staff for the cooperation and courtesies extended to us in the completion of this audit.



CAROLYN TIMMANN
CLERK OF THE CIRCUIT COURT & COMPTROLLER
MARTIN COUNTY, FLORIDA

To: Hank Nagel, Internal Auditor
From: Tom Harmer, Chief Deputy – Court Management *TH*
Date: December 11, 2019
Re: Management Response to Clerk Court Management Cash Handling
Audit Report: 2019-A-0005

The following is the management response for each observation of the above-referenced audit report. The response includes an acknowledgement of each observation and action steps and timeframe for each corresponding recommendation, as required.

Management appreciates the thorough analysis and recommendations to improve the cash handling procedures.

I am pleased to report that management agrees with the 9 suggested recommendations and looks forward to full implementation. A detailed response to each observation is provided below.

Observation Number 1/Recommendations 1 through 3

Agency Response

Management agrees that the Cash Handling Policies and Procedures Manual should be reviewed and updated to reflect current statutory language and operating practices, and said revisions should be communicated to all employees who have cash handling responsibilities.

Action Steps and Timeframe

Management has commenced a review of the Cash Handling Policies and Procedures Manual to conform to current statutory language. Upon approval, management will communicate the revised cash handling procedures to all employees who have cash handling responsibilities. Annual reviews of the manual will commence in September 2020.

Observation Number 2/Recommendations 4 through 6

Agency Response

Management agrees that the Civil, Domestic, Juvenile and Probate Divisions should implement written (documented) department-level cash handling procedure manuals.

Action Steps and Timeframe

In response to Observation Number 3, management will direct the manager of the Civil Division to commence memorializing the cash handling procedures in writing. The Domestic and Probate Divisions are managed by the same individuals. They will be directed to prepare one written cash handling procedure for both divisions. The manager of the Criminal Division will be directed to incorporate the Juvenile cash handling procedures into the existing Criminal Division document. Upon approval,

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management will provide the written procedure to appropriate division staff with cash handling responsibilities.

Observation Number 3/Recommendations 7 and 8

Agency Response

Management agrees that cashiers should be provided and acknowledge receipt of the Cash Handling Policies and Procedures Manual.

Action Steps and Timeframe

Management will instruct each division manager to provide each individual who has cash handling responsibilities with the updated cash handling policies and procedures and obtain written acknowledgement of receipt. Additionally, division managers will be instructed to provide the updated manual to each new hire/transferred employee that will assume cash handling responsibilities. Human Resources will be responsible for maintaining a current, updated list of clerk employees with cash handling responsibilities and proof of their receipt of the cash handling policies and procedures, including future updates.

Observation Number 4/Recommendation 9

Agency Response

Management agrees that cashier training could be improved.

Action Steps and Timeframe

Management has instructed the training coordinator, in consultation with the division managers, to develop a uniform cash handling training document for use throughout the organization. The document will contain the best practices from each division and serve as a training tool for all individuals who have cash handling responsibilities.