

Internal Controls: Keeping Tabs on the Court's Cash

Objectives:

- Define internal controls.
- Recognize the consequences of not having internal controls.
- List 10 “Best Practices” for cash handling.

What are internal controls?

Plans and procedures implemented to provide reasonable assurance of:

1. Reliable financial information.
2. Compliance with applicable laws and regulations.
3. Effective and efficient operations.

Internal Controls are a set of financial management checks and balances.

Internal Controls help:

- Minimize errors and misuse of funds.
- Provide a clear audit trail.
- Provide early detection of errors and/or irregularities than would otherwise be the case.

Five Components of Internal Control:

1. Control Environment

- Integrity and ethical values –

- Competence –

- Philosophy and operating style of management –

- Assignment of authority and responsibility –

- How personnel are developed –

2. Risk Assessment

This process involves identifying and analyzing both internal and external risks, and determining how to manage them.

3. Control Activities

- Appropriate division of duties –

- Control activities help ensure actions are taken to address the identified risks –

4. Information and Communication

- Communicate in a timely manner –

- Court management should communicate with their staff that internal control responsibilities must be taken seriously –

5. Monitoring

Type 1: Ongoing Monitoring

- Regular management –

- Supervisory activities –

- Staff activities –

Type 2: Separate Evaluations

- Examinations –

- Internal/External audits –

Key Things to Remember about Internal Controls

- Be proactive instead of reactive - _____
- Protection - _____
- Something is better than nothing - _____

Consequences of NOT having Internal Controls:

- Monetary losses.
- Negative publicity.
- Decline in the public's confidence in government.

Ten Best Practices of Cash Handling

1. Develop written procedures:

2. Adequately train cashiers:

3. Change funds:

4. No commingling of money:

5. Preprinted receipts:

6. Prepare and issue a receipt for each transaction:
