

# Financial Management

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## INTRODUCTION

This chapter provides a framework for the sound financial management of a municipal court. State law does not provide much guidance when it comes to court financial management, but proper management of money collected through court is one of the most important aspects of court administration. The public expects both sound financial management and proper accounting of the fines and costs paid by defendants. Proper court financial management and internal controls can not only prevent actual theft or misappropriation of funds, but also sloppy bookkeeping that can lead to improper collections or reporting.

Note: Clerks should have a firm grasp of the different costs in municipal court and required reporting to the State Comptroller. Entering the correct data is important to financial management, but this chapter assumes that the content has already been mastered in Level I. If it is necessary to review costs or reporting, please see Chapter 7, State and City Reports, in the Level I book.

### PART 1 FINANCIAL MANAGEMENT

#### A. Procedure Manual

Any sound financial management system should be able to safeguard assets, ensure the reliability and timeliness of bookkeeping and accounting data and reports, promote operational efficiency, and encourage adherence to prescribed laws, regulations, policies, and procedures. One way to arrive at these goals is to create a procedure manual. A procedure manual is a detailed, written description of how each function in the municipal court should be performed. This enables court clerks to follow clear steps every time a process is performed.

A procedure manual may include:

- organizational chart;
- list of employee positions, including job requirements and responsibilities;
- judicial standing orders or standing prosecutor motions;
- description or flow chart of each function in the court from start to finish;
- description and location of each form and document used in the court;
- description and policies for collecting, processing, depositing, or remitting payments;
- description of the bookkeeping system to be used and how it is to be maintained;
- description of the reports to be completed, who is to complete them, how to complete them, and where and when to send them;
- internal control policies and procedures for city or department;
- any other information useful in carrying out the duties and responsibilities of the municipal court efficiently and effectively; and
- listing of contacts and agencies the court is responsible for reporting to or coordinating with.

#### 1. Preparing a Procedure Manual

The manual for your court should be comprised of procedures specific to your court and always include any judicial standing orders to ensure court process is based upon the direction of the judge's order. One helpful practice is to review manuals from other courts. If you find a procedure from another court that looks good, review it in detail and make the necessary changes to

specifically fit it into your court’s operation. It is also important to consult with appropriate staff within the city to ensure procedures related to financial management are not only sound and practical, but also are consistent with existing policies set forth by city council and city administration. City staff may also include the finance director, city treasurer’s office, accounting department, or the internal auditor’s office. Depending upon the size of the city and court, one individual or a team should be responsible for preparing a complete initial draft of the manual. A review process should be established and followed to ensure correctness, consistency, and completeness. Legal aspects of the manual should, of course, be reviewed by the city attorney’s office.

Once completed, the procedure manual should be available to court clerks. This may be accomplished by providing copies or creating a “court copy” that is available for review. Using a version system which records the date of updates and changes helps the user feel confident the most recent copy is being accessed. It is recommended that the manual be reviewed annually for updates and changes.

## 2. Benefits of a Good Procedure Manual

Texas law does not require municipal courts to have a procedure manual, but it is an essential part of a sound internal control system. Benefits of a comprehensive manual may include better guidance for employees in performing their duties, helping train new employees, safeguarding assets, helping inform management of court operations, and helping auditors familiarize themselves with court operations. To understand the practical benefits of a procedure manual, ask yourself, if I quit today, how is anyone going to know how to do my job correctly?

True or False

1. It is OK to create a procedures manual that never refers to the judicial standing orders. \_\_\_\_
2. A procedures manual should include a description of how payments should be collected, processed, deposited, or remitted. \_\_\_\_
3. A procedures manual is an essential part of a sound internal control system. \_\_\_\_
4. A good procedures manual guides employees in performing their jobs correctly and helps train new employees. \_\_\_\_

Short Answer

5. In addition to personnel within the municipal court, what other city offices should be consulted to help ensure financial management procedures are sound and practical? \_\_\_\_  
\_\_\_\_\_
6. How often should a procedures manual be reviewed and updated? \_\_\_\_\_  
\_\_\_\_\_

## B. Internal Control

### 1. Defined

“Internal control” is the plan of organization and procedures in the municipal court which is designed to provide assurance of reliable financial information, compliance with applicable laws

and regulations, and effective and efficient operations. Internal control was once primarily something that only auditors and accountants talked about. The frequency of publicized wrongdoing in governmental financial management operations has increased the need for awareness and understanding of internal controls at all levels in government. In addition to actual monetary losses that can result from poor control, perhaps the biggest loss is decline in the public's perception of and confidence in government. Sound control, however, should not dictate unnecessary red tape or waste time in performing duties. As a general rule, the cost of internal control should not exceed the expected benefit. For example, \$10,000 should not be spent to protect \$500.

One easy way to think of internal control is as a set of checks and balances. These checks and balances minimize the possibilities for errors and misuse of funds, provide a clear audit trail (show who did what and when they did it), and allow for earlier detection of errors or irregularities. Effective internal control also makes the work of both the internal auditor and independent auditor easier and less time consuming.

## **2. Basic Principles**

There are four basic principles of internal control. Every good system of internal control has all four principles. The principles are:

- qualified personnel;
- appropriate division of duties;
- sound, written procedures for authorizing, recording, and reporting transactions; and
- actual performance consistent with the first three principles.

### **a. Qualified Personnel**

The law contemplates a person selected to serve as a court clerk to exhibit a high degree of integrity and competence. This requires specialized training in the aspects of financial management. The key performance areas of municipal court process hold a high degree of consequence of error. All court personnel should understand their roles and have clear direction about what they are supposed to do and how they are supposed to do it. Additionally, personnel should understand how their duties fit in with the duties of others in the municipal court and with duties of other departments within their local government.

### **b. Appropriate Division of Duties**

If possible, the following three basic functions should be performed by three different people in a municipal court: (1) authorization of transactions; (2) recording of transactions; and (3) custody of cash and other property. For example, a clerk making collections and issuing receipts should not be the person to balance and prepare the bank deposit, and neither of these persons should record the day's receipts in the treasury bookkeeping system. If one person performs all three of these functions, there is no independent check for mistakes, and errors are very likely to go undiscovered for long periods. Fraud or misappropriation of funds is also much easier if, for example, the same person collects cash, prepares the bank deposit, and records the receipts in the general ledger.

Particularly in smaller municipal courts, it may not be practical to maintain a strict separation of duties because staff size limitation. If such is the case, other means will take on added importance in helping assure reliable internal control. This may include the rotation of duties among personnel; closer supervision; additional training to improve work quality; and more frequent internal audits.

A reasonably good separation of duties for a small staff can be maintained with just two people. Ideally, no one person should handle a transaction from beginning to end. See the chart below for an example of the divisions of duties between two people when a payment is received. A sample checklist for an assessment is also included at the end of this chapter.

Task	Person A	Person B
1. Payment received and receipt issued.	X	
2. Deposit slip prepared (matched against receipts and cash drawer balance).		X
3. Deposit made.	X	
4. Receipts posted to general ledger.		X
5. Deposit total matched against total posted.	X	

### c. Sound Procedures

All municipal courts should have written and consistent procedures that describe in detail the duties that must be performed, how they are to be performed, and who is to perform them. The procedures should cover all detailed aspects related to transactions. If personnel clearly understand what is expected of them and how they are supposed to do their job, they are more likely to do a better job. In addition, errors and opportunities for fraud will likely be fewer if each person understands what they should be doing. Procedures should provide for:

- use and control of prenumbered forms/documents (receipts, checks);
- cross-referencing of documents (e.g., citation numbers, docket numbers, receipt numbers);
- periodic reconciliation of subsidiary records to control totals;
- proper authorization of transactions (remittances, disbursements, requisitions);
- effective, timely reporting of transactions (monthly reports);
- safeguarding of assets (money and other assets);
- appropriate flow of documents (e.g., citations, receipts, and deposit/remittance forms);
- reasonable amount of checking the work of others; and
- bonding of all employees with access to cash and other valuables.

### d. Actual Performance

Checking to see if performance is appropriate should be part of the city's internal and external audit functions. This does not, however, relieve the municipal court of the responsibility of checking its own performance. In fact, it can be argued that an official's attitude and desire for good internal control in his or her office is the most important part of a good system. If an official does not think internal control in his or her office is important, it is not likely that his or her employees will either.

**Practice Note**

Remember this phrase: *Inspect what you expect*. Qualified personnel, good division of duties, and written procedures will not guarantee good internal control alone; rather, the system must be followed. Results must be periodically monitored to see if the system is actually working.

True or False

- 7. A sound system of internal control prevents errors and misuse of funds. \_\_\_\_
- 8. Good internal control systems simplify the work of auditors. \_\_\_\_
- 9. There is an increased need for awareness and understanding of internal controls at all levels of government. \_\_\_\_
- 10. An internal control system only needs three of the four basic principles to be considered a strong internal control system. \_\_\_\_
- 11. An appropriate division of duties is a basic principle of internal control. \_\_\_\_
- 12. Fraud is more difficult if the same person collects cash, prepares the bank deposit, or records the receipts in the general ledger. \_\_\_\_
- 13. Staff positions do not require specialized training in court processes. \_\_\_\_
- 14. Personnel should understand how their duties fit in with the duties of others in the municipal court and with duties of other offices in the city. \_\_\_\_
- 15. Procedures should be broad and general so the reader will not get bogged down in detail. \_\_\_\_
- 16. If personnel clearly understand what is expected of them and how they are supposed to do their job, they will do a better, more accurate job. \_\_\_\_
- 17. Even if a municipal court's performance is being checked by the city's internal audit department, the court should still check its own performance. \_\_\_\_

Short Answer

- 18. In addition to actual monetary losses that can result from poor internal controls, perhaps the biggest loss is: \_\_\_\_\_
- 19. As a general rule, the cost of internal control should not exceed the \_\_\_\_\_  
\_\_\_\_\_
- 20. In addition to safeguarding assets, an internal control system should \_\_\_\_\_  
\_\_\_\_\_
- 21. The three basic functions that should, if at all possible, be performed by three different people in a municipal court are: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

22. Three other means that take on added importance in helping assure reliable internal control when a strict separation of duties cannot be maintained due to a limited staff size are \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
23. The most important thing to remember about an appropriate division of duties is \_\_\_\_\_  
 \_\_\_\_\_
24. Two examples of items that should be prenumbered and controlled are \_\_\_\_\_  
 \_\_\_\_\_
25. In a municipal court, three of the tasks that sound procedures should provide for include  
 \_\_\_\_\_  
 \_\_\_\_\_
26. At a minimum, how frequently should a municipal court assess the adequacy of its internal controls? \_\_\_\_\_

### **C. Bank Accounts**

#### **1. Not Required by State Law**

Some municipal courts maintain a court bank account. However, many do not and simply turn in money directly to the city treasurer. State law does not address the issue. The law neither requires municipal court bank accounts nor prohibits them.

#### **2. Generally Best to Operate Without a Bank Account**

A basic principle of governmental accounting is that only those funds required by law and sound financial administration should be established, with the number of different funds kept at a minimum. The same is true of bank checking accounts. The fewer the accounts, the easier it is to keep up with and reconcile them. If a municipal court maintains a bank account, it should be because it will somehow enhance overall city operations (e.g., better safeguarding of money or more efficient handling of court operations). Additionally, fewer bank accounts for a city can result in lower bank service charges or rates.

If the court can operate effectively without a bank account, it should consider doing so. It will save time and unnecessary safekeeping responsibilities. Some courts maintain a bank account just so they can make night deposits. These cities could consider making night deposits directly to an account under the control of the city treasurer. Of course, they would forward the appropriate paperwork for the treasurer to match with the validated deposit information when it is received. State court costs and fees do not have to be kept in a separate bank account pending transfer to the State.

#### **3. If Bank Account Maintained**

If a municipal court maintains a bank account, it should be appropriately authorized by either the city council or some other office, depending on how the city operates. There should not be any accounts that the city council and accounting office are not aware of. A municipal court bank



account should be at an institution that the city has a contract with. Banks, credit unions, and savings associations qualify as institutions that the city can contract with. City depositories are covered in Chapter 105 of the Local Government Code.

If an account is maintained, the court should make sure that the person signing the checks is not also someone who has recordkeeping or custodial functions. In a municipal court with a small staff it may be impractical or difficult to appropriately divide duties. Checks should be properly safeguarded. Checks should have an expiration period (60 or 90 days) printed on them to minimize the number of outstanding checks. Finally, it is a good idea to close an account and open a new one whenever there is a new person becoming primarily responsible for the account, such as a new court administrator or chief court clerk.

True or False

- 27. State law requires municipal courts to maintain a bank account. \_\_\_\_
- 28. The fewer the number of bank accounts a city has, the easier it is to keep up with and reconcile them. \_\_\_\_
- 29. Fewer bank accounts for a city can result in lower bank service charges and higher interest rates. \_\_\_\_
- 30. If a municipal court can operate effectively without a bank account, it should consider doing so. \_\_\_\_
- 31. State court costs and fees must be kept in a separate bank account pending transfer to the State. \_\_\_\_
- 32. It is best for checks to have an expiration date printed on them. \_\_\_\_

Short Answer

- 33. If a municipal court maintains a bank account, it should be because \_\_\_\_\_  
\_\_\_\_\_
- 34. If an account is maintained, the court should make sure that the person signing the checks is \_\_\_\_\_  
\_\_\_\_\_
- 35. A small municipal court staff is an argument against the court having a bank account because \_\_\_\_\_  
\_\_\_\_\_

**D. Petty Cash and Change Funds**

**1. Petty Cash**

Petty cash consists of a sum of money set aside for making small cash purchases on a contingency basis. Municipal courts should not have petty cash funds. Purchases made for the municipal court should be made centrally by the city. If for some reason municipal court operations are not separate from regular city operations and the city petty cash fund is handled by the municipal court, the petty cash fund should be kept separate from the municipal court change fund. Policies should be developed to ensure a single person has access to the petty cash fund and it is balanced daily. The system should also require purchases to be reported to the finance department daily.

## 2. Change Funds

A change fund is used for the purpose of making change for customers, not for making purchases. Change funds should not be used for petty cash purposes. There should be a separate change fund for each person taking in money and issuing receipts. The change fund should be secured by locking bank bag with controlled access to the fund by the employee responsible for balancing the fund each day. The fund should only be used to make change in connection with municipal court collections.

The amount of money in a change fund depends on the authorization of the city council, finance office, or other appropriate authority. It should be maintained at the lowest practical level based on the daily need for completing cash payment transactions. You may analyze prior daily transactions to determine the amount needed. Periodically, you may review the standard amounts for the change fund to determine adequacy for daily operations. Finally, one recommended practice is to post a sign stating that checks and money orders will be accepted for the amount of payment only and checks will not be cashed.

### a. Creating a Change Fund

In order to create a change fund, the following steps may be followed: (1) After the appropriate authority authorizes the amount of each change fund, obtain amount from treasurer and sign for the receipt of it; (2) turn the money over to the individual responsible for operating the fund and have him or her count the fund and sign a receipt for the amount received; and (3) maintain the fund in a locking bank bag and a secured location (safe), with access to the fund generally limited to the individual with which it is assigned and a second person who would be responsible for auditing the fund at any given time; usually a manager or the treasurer.

### b. Managing a Change Fund

The individual responsible for operating a fund should:

- Count and verify the change fund at the beginning of each day. The amount should be consistent from day-to-day.
- Make change as necessary. When making change, always count the change out loud 2 times.
- Count and verify the change fund at the end of each day. The dollar amount in the change fund after receipts are removed should equal the authorized amount of the fund.
- Record all overages and shortages as a part of daily balancing procedures.

#### Practice Note

Once a change fund is created, it is the municipal court's fiduciary responsibility to protect and control the fund. This can be done by maintaining it at the lowest practical level, usually \$50 - \$200 per cashier. Under no circumstances should the change fund be commingled with personal funds, used to make advances, or used to cash personal checks. The cash drawers should be appropriately secured at all times, both day and night. Finally, a good practice is unannounced reconciliations or audits on an irregular basis.

36. Petty cash consists of \_\_\_\_\_  
\_\_\_\_\_
37. A change fund is used for \_\_\_\_\_  
\_\_\_\_\_
38. There should be a separate change fund for \_\_\_\_\_  
\_\_\_\_\_
39. It is helpful to have signs posted in a municipal court stating \_\_\_\_\_  
\_\_\_\_\_

True or False

40. It is preferable for municipal courts to have petty cash funds and make their own small purchases. \_\_\_\_\_
41. Petty cash funds and change funds should be commingled. \_\_\_\_\_
42. A change fund should be maintained at a very high a dollar value to cover all possibilities. \_\_\_\_\_
43. An individual receiving a change fund amount should sign a receipt for the amount received. \_\_\_\_\_
44. Change fund amounts should be verified at the beginning and end of each work day. \_\_\_\_\_
45. For reasons of convenience, change funds should be used to cash personal checks. \_\_\_\_\_
46. Change funds should not be used to make advances to officials or employees. \_\_\_\_\_

## E. Receipts

Each office should have a system that ensures that all money received by the office is properly processed, accounted, and deposited. A proper receipt form and process is important, and a municipal court should follow several basic guidelines when it comes to receipts:

- **Receipts should be prenumbered.** This is true regardless of whether receipts are computer-generated or not. If computer-generated receipts are the norm, regular prenumbered, hardcopy receipts should be available for use in the event of computer problems.
- **Receipts should be adequately controlled.** Regular hardcopy receipts should be ordered centrally by the city and distributed to the municipal court, as needed. Once received, the designated individual responsible for receipts should maintain strict control over the receipts for better accuracy.
- **A receipt should be prepared each time a payment is received.** Even if payment is by received mail and a receipt is not going to be sent to the payor, a receipt should still be prepared and copies made. Each city and municipal court is responsible for determining when receipts will be sent out on payments made through the mail. Most court software platforms have the capability to generate online receipts for payments that can be downloaded and retained by the municipal court for accounting and internal control purposes or sent, as needed, to the payor, city treasurer, or city auditor.

- **The receipt should contain adequate information.** Although no particular form is required, the receipt should provide space for the following information:
  - date issued;
  - docket number;
  - amount received;
  - who the money is being received from;
  - what the money is being received for;
  - method of payment (i.e., cash, check, money order, credit card) and check or money order number when applicable;
  - signature, electronic signature, or initials of individual preparing the receipt; and
  - any other information relevant in the circumstances.
- **The court should account for all receipts.** The municipal court should not just wait and rely on either internal audits done by city staff or outside audits performed by independent certified public accountants. Periodically (at least quarterly), the municipal court should account for all receipts that are issued and unissued.

True or False

47. Prenumbered receipts are not necessary as long as the court is audited frequently. \_\_\_\_
48. Receipts should not be prepared for mailed payments unless a self-addressed stamped envelope is included with the payment. \_\_\_\_
49. The municipal court should periodically account for all receipts, both issued and unissued. \_\_\_\_

Short Answer

50. If computer-generated receipts are the norm, what should be available if there are computer problems? \_\_\_\_\_  
\_\_\_\_\_
51. Regular hardcopy receipts should be ordered by \_\_\_\_\_  
\_\_\_\_\_
52. When should a receipt be prepared? \_\_\_\_\_
53. Eight things a receipt form should provide adequate space for include: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## **F. Payments**

### **1. General Over-the-Counter Payments**

The procedure below describes basic requirements for safeguarding general over-the-counter payments. Employees with access to money may be required by a municipality to be bonded.

- Each person receiving payments should have a separate cash box or drawer.
- Verify the beginning change fund amount each day before handling transactions.
  - The change fund should start off at the same amount each day.
- Maintain prenumbered receipts.
- When dealing with paper copies, enough paper copies should be made of the receipt to be able to issue a copy to the payor, send a copy to the city treasurer or city auditor, and retain a copy at the municipal court for accounting and internal control purposes.
- Restrictively endorse all checks and money orders upon receipt with the words “For Deposit Only” and the account number.
- Maintain strict control over access to money.
  - Money and receipts should be locked up when not in use.
  - Never leave a cash box or drawer unattended.
  - When receiving payments, never allow anyone access to the cash box or drawer except under direct supervision.
- Handle transactions one at a time.
  - Put away all money and paperwork from the last transaction before starting a new one.
  - Do not put money received away until change is made (to help prevent someone from saying he or she gave you a larger amount).
- Handle money efficiently and consistently.
  - Always arrange currency, coins, and checks in a box or drawer in a consistent manner.
  - When counting money:
    - separate the currency from the coins;
    - count the currency before the coins;
    - count each currency denomination separately;
    - separate coins into denominations;
    - count each denomination of coins separately;
    - count all currency and coins in the presence of the person making payment; and
    - count the money as many times as necessary to come up with the same amount twice.
- Each individual receiving payments should be initially responsible for balancing out his or her box or drawer each day.
  - Balancing out should be verified and approved by someone else in the presence of the person responsible for the box or drawer.

- Make daily bank deposits or remittances to the city treasurer.
  - If remittances to the treasurer are not made daily, turn money in to the treasurer in a timely manner as prescribed by city policy.
- Forward receipt copies to appropriate personnel for accounting and auditing purposes.

## **2. Payments Made after Hours**

Cities that accept after hours payments generally receive payments at the police department or provide some sort of lock or drop box for payments. Payment drop boxes should be placed in a secure location with adequate lighting and cameras which digitally record the activity at the box. The city should obtain appropriate burglary insurance for the municipal court, and employees with access to money should also be adequately bonded. Some cities only accept municipal court payments when the court office is open.

### **a. Payments Made at the Police Department**

If possible, a city should avoid having the police department accept municipal court payments and issue receipts. Judicial and law enforcement functions should be separated, not only in fact, but in appearance. Cities where the police department does receive payments should use the following procedures:

- The person receiving payments should issue a receipt to each payor.
  - Avoid the practice of waiting for the municipal court to prepare and issue receipts.
- The person receiving payments should indicate to the payor that the municipal court will contact them with any questions or problems.
  - The payor should be advised that making a payment at the police department does not constitute complete acceptance or satisfaction by the municipal court. The court will have final say so. In fact, the city might want to consider putting up a sign stating such or printing up a card or sheet with the information and giving one to each payor.
- All checks and money orders should be restrictively endorsed upon receipt with the words “For Deposit Only” and the account number.
- A daily collections report should be prepared by the police department of each day’s receipts and should be forwarded to the city auditor or to the city treasurer if there is no auditor.
- The daily collections report should include the:
  - date;
  - name of payor;
  - amount received;
  - method of payment (including check number if by check);
  - purpose of payment;
  - accounting information; and
  - cause number.
- The daily collections report should be signed or initialed and dated by the person preparing it.

- A copy of the daily collections report and one copy of the receipt (along with any related paperwork) should be forwarded to the municipal court for entering in the accounting records and files.
- One copy of the receipt should be retained by the police department or forwarded to the city auditor (or city treasurer if there is no auditor), depending upon city policy.
- Make daily remittances.
  - If the municipal court does not maintain a bank account, payments should be remitted to the city treasurer on a daily basis.
  - If the municipal court does maintain a bank account, payments should be forwarded to the municipal court on a daily basis and the court should make daily bank deposits.

**b. Payments Made at a Drop Box or Lock Box**

When some sort of drop or lock box is used to receive payments after a municipal court is closed, cities should use the following procedures:

- The box should be opened and emptied daily.
- The box should be opened by one person who is not handling other monies.
  - If the person opening the box also has responsibilities for other monies, the box should be opened at a time of the day and in a location when other monies are not being handled.
  - The box should be opened out in the open, not in an enclosed office.
- The person opening the box should:
  - Restrictively endorse all checks and money orders upon receipt with the words “For Deposit Only” and the account number; and
  - Prepare the daily drop/lock box collections report.
- A daily drop/lock box collections report should be prepared for each day’s receipts and should be forwarded to the city auditor or to the city treasurer if there is no auditor.
- The daily drop/lock box collections report should include the:
  - date;
  - name of payor;
  - amount received;
  - method of payment (including check number if by check);
  - purpose of payment;
  - accounting information; and
  - cause number.
- The daily drop/lock box collections report should be signed or initialed and dated by the person preparing it.
- Forward payments and report to appropriate individual for preparation of the receipts.
  - The individual should verify that the amount received matches the amount on the report.
- Make daily bank deposits or remittances to the city treasurer.

- If remittances to the treasurer are not made daily, turn in money to the treasurer in a timely manner as prescribed by city policy.
- Forward receipt copies to appropriate personnel for accounting and auditing purposes.

### **3. Mail Payments**

Proper management of mail payments is particularly important because the payee is not present, and no receipt is issued at the time of payment. The goals concerning mail payments are to establish a clear-cut audit trail and ensure and document the proper handling of payments. The following procedures describe basic requirements for safeguarding payments made through the mail:

- All mail should be opened daily.
- Mail should be opened by one person who is not handling other monies.
  - If the person opening the mail also has responsibilities for other monies, mail should be opened at a time of the day and in a location where other monies are not being handled.
  - Mail should be opened out in the open, not in an enclosed office.
- The person opening the mail should:
  - separate all money from other correspondence;
  - restrictively endorse all checks and money orders upon receipt with the words “For Deposit Only” and the account number; and
  - prepare the daily mail collections report.
- The daily mail collections report should include the:
  - date;
  - name of payor;
  - amount received;
  - method of payment (including check number if by check);
  - purpose of payment;
  - accounting information; and
  - cause number.
- The daily mail collections report should be signed or initialed and dated by the person preparing it.
- Forward payments and report to appropriate individual for preparation of the receipts.
  - The individual should verify that the amount received matches the amount on the report.
- Make daily bank deposits or remittances to the city treasurer.
  - If remittances to the treasurer are not made daily, turn money in to the treasurer in a timely manner as prescribed by city policy.
- Forward receipt copies to appropriate personnel for accounting and auditing purposes.

### **4. Credit Card Payments**

The law authorizes cities to accept credit cards as well as online payments. Section 132.002 of the Local Government Code provides that the city council may authorize city officials who collect



fees, fines, court costs, or other charges to accept payment by credit card, and Section 132.007 of the Local Government Code authorizes cities to accept payment for taxes, fines, fees, court costs, or other charges through the internet. The law also provides that an additional fee may be collected for the service. For example, assume a defendant owes \$100 in court costs, fees, and fines. Also assume the credit card provider charges a five percent processing fee. The city would only net \$95 after the processing fee ( $\$100 \times .05$ ). Thus, pursuant to Section 132.003, the city could set the processing fee in an amount that is reasonably related to the expense incurred in processing the payment by credit card. The fee may not be in an amount that exceeds five percent of the amount of the fee, fine, court cost, or other charge being paid, even if the processing fee is higher than five percent.

There are several possible benefits to accepting credit card payments, including decreasing outstanding amounts owed, reducing the number of defendants on installment agreements, increasing taxpayer service by providing a convenient way to make payment, and reducing administrative costs of the municipal court. In deciding whether to accept credit card payments, the city should compare the cost of processing fees with the expected benefits. Even though each city needs to make its own decision, it should consider contacting other cities that accept credit card payments for their experiences. One area of concern is that the person's credit card being used is not always the defendant.

## **5. Installment Payments**

Installment payments are not only authorized in the law, but in some circumstances may be required. In fact, when the judge determines that the defendant cannot immediately pay a fine and costs, the judge must permit installment payments. Article 45.041/45A.251 of the Code of Criminal Procedure provides that the judge may direct the defendant to pay the entire fine and costs when sentence is pronounced, pay the entire fine and costs at some later date, or pay a specified portion of the fine and costs at designated intervals. In addition to establishing a clear-cut audit trail and properly handling payments, the goals concerning installment payments include ensuring that payments are made timely and that the court promptly follows up on missed payments.

When installment payments are utilized, a court should:

- Have a written description of under what circumstances installment or partial payments can generally occur.
  - Even though the decision rests with the judge in each case, it is best to have a written description of when installment payments are generally utilized. This indirectly forces the judge to think about the pros and cons, as well as the reasons for allowing or not allowing defendants to pay what they owe over a period of time. The result is usually a more consistent application of when payment plans are used.
- There should be a written installment agreement when payment plans are used.
  - The agreement should clearly spell out the terms of the agreement, including payment amounts, dates, and any statutory fees that may be added.
  - The agreement should be signed and dated by both the judge and the defendant.
  - A copy of the signed agreement should be given to the defendant.
- There should be an efficient way to keep up with payments and indicate past due amounts.

- Although most courts have computer software specifically designed to simplify the installment payment process, some do not. If your court does not have software to record payments and reports, check with the judge or city attorney to verify if any funds are available, for example, in the Municipal Court Technology Fund. This fund can be used to finance the purchase or maintenance of computer systems, which even small courts are finding necessary given the complexity of accounting and reporting requirements in municipal courts.
  - If the court does not have an automated means of handling and keeping up with installment payments, some sort of manual system will be needed.
  - One easy method is to use a copy of the installment agreement with columns on the back of the agreement (e.g., pre-printed or done with a stamp). A minimum of four columns would be needed: date paid, receipt number, amount paid, and balance. A separate sheet of paper or index card would work as well. One advantage of using the back of the agreement is that all necessary reference information is in one place and you do not have to pull a file to see what the requirements are.
  - Simply file the agreement copies, index cards, or separate sheets in some sort of file folder, cabinet, or box based on due dates (or due dates plus a grace period), depending on how your court operates.
  - Then each day pull the ones that are delinquent (or for which the grace period has expired) and work them.
  - As payments are made, enter the appropriate information in the columns and file them for the next month if a balance is still owed or in the file folder if paid in full.
  - Ensure that payments and other appropriate information are also entered in the regular bookkeeping system and records.
  - Consider maintaining a list of those on payment plans, so if a defendant is going to be placed on an additional payment plan, the due dates can be made the same each month.
- Maintain a control total for all outstanding amounts owed and periodically check to ensure the control total is correct.

If the office has many repeat defendants, consider maintaining a list of individuals who default on payments and check that list before new payment plans are granted.

54. Why is proper management of mailed payments particularly important?  
\_\_\_\_\_
55. If the person opening the mail also has responsibilities for other monies, when and where should mail be opened? \_\_\_\_\_
56. Name two possible benefits to accepting credit card payments.  
\_\_\_\_\_
57. The goals concerning installment payments include \_\_\_\_\_
58. A written installment agreement should clearly explain what?  
\_\_\_\_\_

True or False

59. Employees with access to cash should be adequately bonded. \_\_\_\_
60. Each person receiving payments should have a separate cash box or drawer. \_\_\_\_
61. It is best to have the change fund amount vary each day to keep everyone on their toes.  
\_\_\_\_
62. An individual receiving payments should allow trustworthy co-workers access to their cash box or drawer in their absence. \_\_\_\_
63. It is best to handle as many transactions at a time as possible. \_\_\_\_
64. It is best to always arrange currency, coins, and checks in a box or drawer in a consistent manner. \_\_\_\_
65. Each individual receiving payments should balance out his or her cash box or drawer each day. \_\_\_\_
66. Bank deposits or remittances to the city treasurer should be made daily. \_\_\_\_
67. If possible, a city should avoid having the police department accept municipal court payments and issue receipts. \_\_\_\_
68. When the police department does receive municipal court payments, it should not issue receipts, since that should be done by the municipal court. \_\_\_\_
69. A separate listing should be made of each day's receipts and it should be forwarded to the city auditor or to the city treasurer if there is no auditor. \_\_\_\_
70. The daily drop/lock box collections report should be signed or initialed and dated by the person preparing it. \_\_\_\_
71. All mail should be opened daily, with the exception of weekends or holidays. \_\_\_\_
72. Mail should be opened by someone while he or she is receiving payments and issuing receipts. \_\_\_\_
73. Mail should be opened out in the open, not in an enclosed office. \_\_\_\_
74. The law provides that a city council may authorize a city official to collect payment for court costs, fees, and fines by credit card. \_\_\_\_
75. In deciding whether or not to accept credit card payments, the city should compare the cost of processing fees with the expected benefits. \_\_\_\_
76. Since the decision rests with the judge in each case, it is best not to have a written description of when installment payments are generally utilized. \_\_\_\_
77. There should be a written installment agreement any time a payment plan is granted.  
\_\_\_\_
78. There should be an efficient way to keep up with payments and indicate past due amounts. \_\_\_\_
79. If the court does not have an automated means of handling and keeping up with installment payments, some sort of manual system should be used. \_\_\_\_

## **G. Credits**

### **1. Jail Credit**

In addition to satisfying a judgment by paying money, the law provides that a judgment or part of a judgment can be satisfied through time spent in jail (i.e., jail credit). The goals concerning jail credit are to establish a clear-cut audit trail and properly apply any credit to which the defendant is entitled.

Jail credit procedures should include the following information:

- Appropriate documentation providing a basis for jail credit:
  - A commitment order signed by the judge, or
  - A motion from the defendant requesting credit for any time previously spent in jail.
- Jail documentation showing the time the defendant was placed in jail and the time the defendant was released from jail.
  - It should be signed or initialed by the appropriate individual at the jail showing the date and time the defendant is *placed* in jail.
  - It should be signed or initialed by the appropriate individual at the jail showing the date and time the defendant is *released* from jail.
- Jail documentation should be forwarded to the municipal court.
- The appropriate individual in the municipal court should enter the credit in the accounting and other records and file the form with the case records.
  - If not previously entered, the cause number should be entered on the form.
  - The amount of credit and how the total was arrived at should be entered on the form.
  - The form should be signed or initialed and dated by the individual entering the credit in the accounting records.
- The court should determine if there are any additional amounts owed, and if so, appropriate procedures should be followed to satisfy any balance.
- Unless an order indicates otherwise, the court may consider applying jail credits on a FIFO (first-in-first-out) basis.
  - In other words, satisfying all costs, fees, and fine for the oldest case against the defendant first, then costs, fees, and fine for the next oldest case, and so forth.

### **2. Community Service Credits**

A judgment or part of a judgment may also be satisfied by community service. Community service credit procedures should include the following:

- Appropriate documentation authorizing the defendant to perform community service.
  - An order signed and dated by the judge requiring the defendant to participate in community service.
  - The order must specify the number of hours the defendant is required to work.
  - The dates which the community service is to be completed.
- Verification that an entity or organization has agreed to supervise the defendant's community service and report it to the court.

- Verification that the judge did not order the defendant to perform more than 16 hours per week of community service unless the judge has determined that requiring additional hours will not work a hardship on the defendant or the defendant's dependents.
- Documentation that the community service order has been provided to the defendant.
- A form that may be used by an entity or organization supervising community service indicating.
  - Whether or not the work was performed as specified by the judge's order.
  - How many hours the defendant worked.
  - Additional comments concerning the defendant they feel are warranted.
  - The date and signature of an appropriate representative of the entity or organization.
- A process or procedure for following up to determine if the defendant has timely completed and documented completion of community service.
- Once the completed form is received from the entity or organization, the appropriate individual in the municipal court should verify the amount and enter the credit in the accounting and other records and file the form with the case records.
  - The form should be signed or initialed and dated by the individual entering the credit in the accounting records.
- The court should determine if there are any additional amounts owed, and if so, appropriate procedures should be followed to satisfy any balance.

True or False

80. The goal in recording both jail time and community service credit should be to properly apply any credit and establish a clear audit trail. \_\_\_\_
81. A copy of a completed form showing when the defendant was placed in jail and released from jail should be forwarded to the municipal court. \_\_\_\_
82. There should be an order signed and dated by the judge authorizing the defendant to participate in community service. \_\_\_\_
83. An entity or organization supervising community service should specifically indicate how many hours the defendant worked. \_\_\_\_
84. The court should rely on the defendant to determine if the defendant has timely completed and documented completion of community service. \_\_\_\_

## H. Forfeiture of Cash Bonds

Article 45.044/45A.256 of the Code of Criminal Procedure provides that a municipal judge may enter a conviction and forfeit a cash bond in satisfaction of fine and costs if a defendant has entered a written and signed plea of nolo contendere and a waiver of jury trial and fails to appear. Otherwise, a court must use the provisions of Chapter 22 of the Code of Criminal Procedure to forfeit a cash bond. The goal with cash bonds is to ensure that the right amount of money gets to the right place in a timely manner.

Article 17.02 of the Code of Criminal Procedure requires the officer (i.e., the clerk) receiving the cash bond to receipt the bond in the name of the person that posts the bond, and if the bond is to be refunded, on the court's order, the bond shall be refunded to the person named on the receipt. If no person comes forward with a receipt, then the refund can be made to the defendant.

A policy on handling cash bonds should include the following:

- Appropriately receive cash bond.
  - Ensure defendant has signed and received appropriate paperwork.
  - Prepare and issue a receipt to the person who posted the bond for the amount paid, indicating on the receipt that it is for a cash bond.
- Ensure money received is adequately safeguarded.
  - Deposit or remit money as with other collections. Cash should not be kept lying around in the office.
  - If all or part of the bond is refunded to the defendant, upon the court's order, any interest earned on the bond amount should be returned to the defendant as well. For this reason, many cities keep cash bonds in a non-interest-bearing account.
- Forward receipt copies to appropriate personnel for accounting and auditing purposes.
- If the defendant fails to appear, follow appropriate procedures in Chapter 22 or Article 45.044/45A.256 of the Code of Criminal Procedure.
- When the appropriate amount of time has elapsed, forward appropriate paperwork for bookkeeping entries and transfer of funds (if necessary).
  - If the court is using the provisions in Article 45.044/45A.256 of the Code of Criminal Procedure:
    - and the money has already been remitted to the city treasurer, the paperwork should simply indicate to the treasurer that the bond amount should now be applied to court costs, fees, and fines and how much to apply to each.
    - and the money has been kept in a cash bond account in the court, remit the appropriate amount to the treasurer, indicating how much is court costs, fees, and fine. If this is the only account the court has, remittance to the treasurer should be done in a practical manner, depending on the number of cash bonds forfeited. For example, it might be appropriate to remit forfeited cash bonds to the treasurer on a weekly basis.
  - If the defendant has been in jail, the court should either remit or notify the treasurer to remit any amount of the bond due to the defendant for jail-time credit.
  - If the court is using the civil bond forfeiture provisions in Chapter 22 of the Code of Criminal Procedure:
    - and the money has already been remitted to the city treasurer, the paperwork should simply indicate to the treasurer that the bond amount should now be applied as general revenue for the city.
    - and the money has been kept in a cash bond account in the court, remit the appropriate amount to the treasurer, indicating that the bond amount should be applied as general revenue for the city. If this is the only account the court has, remittance to the treasurer should be done in a practical manner, depending on

the number of cash bonds forfeited. For example, it might be appropriate to remit forfeited cash bonds to the treasurer on a weekly basis.

True or False

85. A policy on cash bonds should include guidance that will ensure that the right amount of money gets to the right place in a timely manner. \_\_\_\_
86. A receipt should not be given to a defendant posting a cash bond until the bond is forfeited. \_\_\_\_

Short Answer

87. If all or part of the bond is refunded to the defendant, any interest earned on the bond shall be \_\_\_\_\_
88. If the court is using the provisions in Article 45.044/45A.256 of the Code of Criminal Procedure, what should be included in any paperwork once the bond is forfeited? \_\_\_\_\_
89. If the court is using the civil bond forfeiture provisions in Chapter 22 of the Code of Criminal Procedure, and the money has been kept in a cash bond account in the court, where should the money be deposited? \_\_\_\_\_

### I. Unclaimed Funds

Occasionally, a municipal court may become aware of money from an unknown source or for an unknown purpose. When this happens, the court should initiate action to try and determine the rightful owner, and if unsuccessful, contact the State of Texas. The procedures for handling unclaimed funds include the following:

- The person identifying the money should document in writing what was found, where it was found, how it was found, and then sign and date the documentation.
- The person identifying the money should communicate it to appropriate personnel within the court and the city.
- A thorough analysis should be made to try and determine to whom the money belongs. Occasionally, the court will determine that the amount represents a cash bond, undeposited payment, or old change fund balance. If the owner can be determined, the money should be turned in to the city treasurer, and steps should be initiated to get it to the rightful owner. If the owner cannot be determined or located, the money should be turned in to the city treasurer who should contact the Unclaimed Property Section in the Comptroller's Office at 800.321.2274.

True or False

90. The person identifying the money should document in writing what was found, where it was found, how it was found, and then sign and date the documentation. \_\_\_\_
91. If it can be determined to whom the money belongs, the money should be kept in the municipal court until it is claimed by the rightful owner. \_\_\_\_

## J. Daily Balancing

Each person receiving money should be responsible for cash reconciliation (balancing) of their cash drawer or box each day. He or she should fill out a daily reconciliation form, then sign and date it. The reconciliation should be verified and approved by someone else in the presence of the person responsible for the box or drawer. The person verifying and approving the reconciliation should also sign or initial and date the form. The total amount of money in the cash box or drawer less the amount of the change fund should equal the total amount shown on the receipts issued for the day. Any overages or shortages should be clearly shown on the reconciliation form.

True or False

92. Receipts should be balanced out daily. \_\_\_\_\_
93. If there are three individuals in the court receiving money and issuing receipts, the one with the most tenure should be responsible for balancing out all three cash boxes or drawers. \_\_\_\_\_
94. Any overages or shortages should be excluded from the reconciliation form unless it is known what the cause was. \_\_\_\_\_

Short Answer

95. The total amount shown on the receipts issued for the day should equal \_\_\_\_\_  
\_\_\_\_\_

## K. Monthly Reporting

A financial report showing the municipal court's financial position at the end of the month and results of operations for the month should be prepared to provide information to officials, the public, and other interested groups or individuals. The content of the report should show the court's beginning and ending balance. The report should be signed and dated by the person preparing it and should be reviewed and approved by appropriate personnel. The person approving the report should also sign and date it.

True or False

96. The report should show the beginning balance the court was responsible for at the start of the month. \_\_\_\_\_
97. The report should be signed and dated by the person preparing it and by the person reviewing and approving it. \_\_\_\_\_

## L. Auditing

### 1. Defined

Auditing is simply examining information and operations for mathematical accuracy, legality, and propriety. It is a process of determining whether all transactions are properly recorded in the accounts and appropriately reflected in statements and reports. An internal audit is an audit done by someone who works for the organization being audited. For example, the audit performed by



someone employed by the city would be an internal audit. Audits performed by those not employed by the city are generally referred to as outside or external audits.

### **Practice Note**

An audit typically includes various items, including documents, money, records, reports, systems of internal control, accounting procedures, and actual operations.

## **2. Objectives of Auditing**

The broad purpose of auditing in municipal court is to help ensure the integrity of the court's financial operations. Specific objectives are to help assure that the court has collected all the money they are supposed to, money collected was properly remitted to the appropriate party, property is properly managed, money and other property is properly accounted for, properly reported, and adequately safeguarded, and operations conform to laws, rules, and prescribed procedures. Auditing cannot guarantee that collections, records, and reports are 100 percent complete and correct. However, auditing can be a means for early detection and correction of material mistakes and irregularities. Additionally, a good internal audit function can result in lower operating costs, more efficient ways of getting things done, better service to the public, and less costly outside audits.

## **3. Auditing Requirements**

State law requires a city be audited annually and a financial statement prepared based on the audit. Sec. 103.001, L.G.C. Although the law provides that the audit can be done by someone employed by the city (Section 103.002 of the Local Government Code), it is often recommended that it be done by an independent certified public accountant.

Although the law does not require periodic internal audits in a city or municipal court, it is recommended that they be done. Some sort of audit work should be done relating to municipal court operations at least quarterly. Some cities have a internal audit department or an individual designated to regularly audit the court. Most cities do not. Similarly, it is not uncommon for a designated individual from the finance or treasurer's office or another department to periodically conduct an internal audit of the court.

Audit work that should be done includes conducting surprise cash counts, reviewing bank reconciliations, accounting for all receipts, auditing receipts for proper amount collected, deposited, or remitted and correct bookkeeping, confirming amounts paid (or the fact that nothing was paid) with defendants, and reviewing reports. All of these do not have to be done each quarter. The mere fact that some audit work is periodically and consistently done is a deterrent to wrongdoing.

## **4. Getting Ready for an Audit**

In cities that have an internal audit function, a municipal court will normally be notified when an internal audit will be conducted. There are, however, some audit steps that are almost always done on a surprise basis, such as a cash count.

When a court is aware of an upcoming audit, steps should be taken to ensure that all information is available for inspection. Listed below are the major items an auditor may wish to examine during an audit.

- procedures manual, including any internal control procedures used in the court;

- bookkeeping system, including reports, ledgers, and journals;
- docket books;
- monthly bank reconciliations for each bank account, including canceled checks and bank statements for the period covered by the audit;
- fixed assets assigned to the court;
- change funds, receipts (issued and unissued), and monies collected; and
- office files and related correspondence.

These items, along with any other useful information, should be well organized and easily accessible by the auditor. Court employees should make every effort to assist the auditor in performing the examination.

98. Define auditing. \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

99. List at least three specific objectives of auditing. \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

100. List at least four examples of the type of audit work that should be done in a municipal court. \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

101. List at least five items an auditor may want to examine during the course of an audit.  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

True or False

102. Auditing can be a means for minimizing and providing for early detection and correction of material mistakes and irregularities. \_\_\_\_\_

103. An internal audit is an audit done by someone who does not work for the organization being audited. \_\_\_\_\_

104. State law requires that cities have annual audits conducted by independent certified public accountants. \_\_\_\_\_

105. At least quarterly, some sort of audit work should be done relating to municipal court operations. \_\_\_\_\_

106. A municipal court will always be notified when an internal audit is going to be conducted. \_\_\_\_\_

107. Some audit steps are almost always done on a surprise basis (without any notification), such as a cash count. \_\_\_\_\_

**APPENDIX A  
INTERNAL CONTROL CHECKLIST**

		<u>Yes</u>	<u>No</u>	<u>NA</u>	<u>Comments</u>
<b><u>Procedures Manual</u></b>					
1.	Is there a procedures manual for the office?	_____	_____	_____	_____
2.	Does the manual cover all duties and responsibilities?	_____	_____	_____	_____
3.	At a minimum, does the manual include the following:				
	a) organizational chart?	_____	_____	_____	_____
	b) list of employee positions, including job requirements and responsibilities?	_____	_____	_____	_____
	c) description of each function in the court from start to finish?	_____	_____	_____	_____
	d) description and sample of each form and document used in the court?	_____	_____	_____	_____
	e) description of collecting, processing, and depositing, or remitting payments?	_____	_____	_____	_____
	f) description of the bookkeeping system to be used and how it is to be maintained?	_____	_____	_____	_____
	g) description of the reports to be completed, who is to complete them, how to complete them, and where and when to send them?	_____	_____	_____	_____
	h) internal controls within the office?	_____	_____	_____	_____
	i) any other information useful in efficiently and effectively carrying out the duties and responsibilities of the municipal court?	_____	_____	_____	_____
4.	Where possible, are flowcharts used in addition to narrative descriptions to enhance readability and understanding of the procedures?	_____	_____	_____	_____
5.	Have appropriate staff within the city been consulted to ensure procedures related to financial management are sound and practical?	_____	_____	_____	_____
6.	Were the following consulted:				
	a) treasurer's office?	_____	_____	_____	_____
	b) accounting department?	_____	_____	_____	_____
	c) internal audit office?	_____	_____	_____	_____
7.	Is there a review process for written/amended procedures to ensure correctness, consistency, and completeness?	_____	_____	_____	_____

- |     |  |       |       |       |       |
|-----|--|-------|-------|-------|-------|
| 8.  | Were legal aspects of the manual reviewed by the city attorney's office?     | _____ | _____ | _____ | _____ |
| 9.  | Is each municipal court employee given a copy of the manual?                 | _____ | _____ | _____ | _____ |
| 10. | Is the manual reviewed and updated:  |       |       |       |       |
|     | a) whenever there are changes to laws, regulations, policies, or procedures? | _____ | _____ | _____ | _____ |
|     | b) at least annually?  | _____ | _____ | _____ | _____ |

**General Internal Control**

- |     |   |       |       |       |       |
|-----|---|-------|-------|-------|-------|
| 11. | Are the basic functions of (a) authorization or approval of transactions, (b) recording of transactions, and (c) custody of assets performed by three different people? | _____ | _____ | _____ | _____ |
| 12. | Are duties periodically rotated?  | _____ | _____ | _____ | _____ |
| 13. | Is the amount of supervision adequate?  | _____ | _____ | _____ | _____ |
| 14. | Is there an adequate amount of double-checking of work?   | _____ | _____ | _____ | _____ |
| 15. | Is everyone required to take vacations?   | _____ | _____ | _____ | _____ |
| 16. | Is the work of persons on vacation performed by someone else during their absence?  | _____ | _____ | _____ | _____ |
| 17. | Are employees appropriately bonded?   | _____ | _____ | _____ | _____ |
| 18. | Is the adequacy of bonds periodically reviewed?   | _____ | _____ | _____ | _____ |
| 19. | Are employees performing their duties adequately?   | _____ | _____ | _____ | _____ |
| 20. | Are they adequately trained?  | _____ | _____ | _____ | _____ |
| 21. | Are training needs periodically assessed?   | _____ | _____ | _____ | _____ |
| 22. | Is the workload current?  | _____ | _____ | _____ | _____ |
| 23. | Is staffing adequate?   | _____ | _____ | _____ | _____ |
| 24. | Is there an inventory of all tangible court assets?   | _____ | _____ | _____ | _____ |
| 25. | Is the inventory up to date?  | _____ | _____ | _____ | _____ |
| 26. | Is responsibility for the assets fixed?   | _____ | _____ | _____ | _____ |
| 27. | Is the inventory periodically reviewed and the assets accounted for?  | _____ | _____ | _____ | _____ |
| 28. | Are staff positions filled with the most qualified and competent persons possible?  | _____ | _____ | _____ | _____ |
| 29. | Is information given on applications and resumes verified?  | _____ | _____ | _____ | _____ |
| 30. | Are references given on applications and resumes checked?   | _____ | _____ | _____ | _____ |

- |     |  |       |       |       |       |
|-----|--|-------|-------|-------|-------|
| 31. | Do personnel clearly understand what is expected of them?  | _____ | _____ | _____ | _____ |
| 32. | Do personnel understand how their duties fit in with the duties of others in the court?  | _____ | _____ | _____ | _____ |
| 33. | Do personnel understand how the functions and responsibilities of the municipal court fit in with the functions and responsibilities of other offices in the city? | _____ | _____ | _____ | _____ |

**Bank Accounts**

- |     |   |       |       |       |       |
|-----|---|-------|-------|-------|-------|
| 34. | Are only the minimum number of bank accounts maintained?  | _____ | _____ | _____ | _____ |
| 35. | Are any bank accounts appropriately authorized by the city?   | _____ | _____ | _____ | _____ |
| 36. | Are bank accounts only at a financial institution that the city has a contract with?                | _____ | _____ | _____ | _____ |
| 37. | Are balances appropriately safeguarded via provisions in the depository contract and FDIC coverage? | _____ | _____ | _____ | _____ |

**Petty Cash and Change Funds**

- |     |  |       |       |       |       |
|-----|--|-------|-------|-------|-------|
| 38. | Does the court have a petty cash fund?   | _____ | _____ | _____ | _____ |
| 39. | If the court has a petty cash fund, is it kept separate from change fund(s)?           | _____ | _____ | _____ | _____ |
| 40. | Are any change funds appropriately authorized by the city?                             | _____ | _____ | _____ | _____ |
| 41. | Has the individual responsible for a change fund signed for the amount received?       | _____ | _____ | _____ | _____ |
| 42. | Are change funds maintained in a secure location?                                      | _____ | _____ | _____ | _____ |
| 43. | Is access to a change fund limited to the individual responsible for it?               | _____ | _____ | _____ | _____ |
| 44. | Are change fund amounts counted and verified at the beginning and end of each workday? | _____ | _____ | _____ | _____ |
| 45. | Are change funds maintained at the lowest practical level?                             | _____ | _____ | _____ | _____ |
| 46. | Are change funds prevented from:   |       |       |       |       |
|     | a) being commingled with personal funds?   | _____ | _____ | _____ | _____ |
|     | b) being used to make advances to officials or employees?                              | _____ | _____ | _____ | _____ |
|     | c) being used to cash personal checks?   | _____ | _____ | _____ | _____ |
| 47. | Are unannounced reconciliations or audits of change funds made on an irregular basis?  | _____ | _____ | _____ | _____ |

48. Are signs posted in the court stating that:
- a) checks (if accepted) and money orders will be received for amount of payment only? \_\_\_\_\_
  - b) checks will not be cashed? \_\_\_\_\_
  - c) when paying in cash, please have as close to the exact amount as possible? \_\_\_\_\_

**Receipts**

49. Are all receipts prenumbered? \_\_\_\_\_
50. If the court generally uses computer-generated receipts, are regular prenumbered, hardcopy receipts in the event of computer problems? \_\_\_\_\_
51. Are receipts adequately controlled? \_\_\_\_\_
52. Are hardcopy receipts ordered centrally by the city and distributed to the court periodically as needed? \_\_\_\_\_
53. When receipts are distributed, does the person receiving them count and make sure that all that are supposed to be there are in fact there? \_\_\_\_\_
54. Does the person receiving receipts sign for them indicating responsibility? \_\_\_\_\_
55. Do receipts have at least three parts:
- a) the original for the payee? \_\_\_\_\_
  - b) a copy for the appropriate city office? \_\_\_\_\_
  - c) a copy for the court? \_\_\_\_\_
56. Does the receipt contain space for the following:
- a) date? \_\_\_\_\_
  - b) docket number? \_\_\_\_\_
  - c) amount received? \_\_\_\_\_
  - d) who the money is being received from? \_\_\_\_\_
  - e) what the money is being received for? \_\_\_\_\_
  - f) method of payment and check number when applicable? \_\_\_\_\_
  - g) signature or initials of individual preparing it? \_\_\_\_\_
  - h) any other relevant information? \_\_\_\_\_
57. Are all receipts (both issued and unissued) periodically accounted for? \_\_\_\_\_

**General Over-the-Counter Payments**

- |     |   |       |       |       |       |
|-----|---|-------|-------|-------|-------|
| 58. | Does each person receiving payments have a separate cash box or drawer?   | _____ | _____ | _____ | _____ |
| 59. | Is the change fund amount verified each day before handling transactions?   | _____ | _____ | _____ | _____ |
| 60. | Is the change fund amount consistent from day to day?   | _____ | _____ | _____ | _____ |
| 61. | Is a receipt prepared and given to each person making payment?  | _____ | _____ | _____ | _____ |
| 62. | Are all receipts dated and signed or initialed by the person issuing them?  | _____ | _____ | _____ | _____ |
| 63. | Are checks and money orders promptly and restrictively endorsed with the words “For Deposit Only” and the account number?                   | _____ | _____ | _____ | _____ |
| 64. | Is strict control maintained over access to cash?   | _____ | _____ | _____ | _____ |
| 65. | Are money and receipts locked up when not in use?   | _____ | _____ | _____ | _____ |
| 66. | Do individuals responsible for a cash box or drawer refrain from leaving them unattended?   | _____ | _____ | _____ | _____ |
| 67. | Do individuals responsible for a cash box or drawer never allow anyone access to their box or drawer except under their direct supervision? | _____ | _____ | _____ | _____ |
| 68. | Are transactions handled one at a time?   | _____ | _____ | _____ | _____ |
| 69. | Is money and paperwork from one transaction put away before starting another one?   | _____ | _____ | _____ | _____ |
| 70. | Is money received not put away until change is made and the receipt is given?   | _____ | _____ | _____ | _____ |
| 71. | Are currency, coins, and checks always arranged in a box or drawer in a consistent manner?  | _____ | _____ | _____ | _____ |
| 72. | Is all cash and currency counted in the presence of the person making payment?  | _____ | _____ | _____ | _____ |
| 73. | In making change, is the amount counted until the same amount is arrived at least twice?  | _____ | _____ | _____ | _____ |
| 74. | Does each individual receiving payments balance out his or her box or drawer daily?   | _____ | _____ | _____ | _____ |
| 75. | Is the balancing out verified and approved by someone else not receiving money in the presence of the individual who balanced out?          | _____ | _____ | _____ | _____ |
| 76. | Are receipts deposited in the bank or remitted to the city treasurer daily?   | _____ | _____ | _____ | _____ |

77. Are receipt copies forwarded timely to appropriate personnel for accounting and auditing purposes?

\_\_\_\_\_

**Payments Made After Hours**

78. Does the city avoid having the police department accept municipal court payments?

\_\_\_\_\_

79. If the police department does accept municipal court payments:

a) does the person receiving payments issue a receipt to each payor?

\_\_\_\_\_

b) does the person receiving payments somehow indicate to the payor that the municipal court will contact them with any questions or problems and that making payment at the police department does not constitute complete acceptance or satisfaction by the municipal court?

\_\_\_\_\_

c) are checks and money orders promptly restrictively endorsed with the words "For Deposit Only" and the account number?

\_\_\_\_\_

d) is a daily collection report prepared by the police department and forwarded to the appropriate office in the city?

\_\_\_\_\_

e) does the daily collection report include the:

- date?
- name of payor?
- amount received?
- method of payment and check number when applicable?
- purpose of payment?
- accounting information?
- cause number?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

f) is the report signed or initialed and dated by the person preparing it?

\_\_\_\_\_

g) is a copy of the collections report and one copy of the receipts forwarded to the court for entering in the accounting records and files?

\_\_\_\_\_

h) is one copy of the receipts retained by the police department or forwarded to the city auditor based on city policy?

\_\_\_\_\_



- |     |   |       |       |       |       |
|-----|---|-------|-------|-------|-------|
| i)  | if the municipal court does not maintain a bank account, are payments remitted to the city treasurer on a daily basis?  | _____ | _____ | _____ | _____ |
| j)  | if the municipal court does maintain a bank account, are payments forwarded to the court on a daily basis and daily bank deposits made?                                     | _____ | _____ | _____ | _____ |
| 80. | If some sort of drop or lock box is used to receive payments after a municipal court is closed:   |       |       |       |       |
| a)  | is the box opened and emptied daily?  | _____ | _____ | _____ | _____ |
| b)  | is the box opened by someone who is not handling other monies?  | _____ | _____ | _____ | _____ |
| c)  | if the person opening the box also has responsibilities for other monies, is the box opened at a time of the day and in a location when other monies are not being handled? | _____ | _____ | _____ | _____ |
| d)  | is the box opened out in the open, not in an enclosed office?   | _____ | _____ | _____ | _____ |
| e)  | does the person opening the box restrictively endorse all checks and money orders with the words "For Deposit Only" and the account number?                                 | _____ | _____ | _____ | _____ |
| f)  | does the person opening the box prepare a daily drop/lock box collections report and forward it to the appropriate city office?   | _____ | _____ | _____ | _____ |
| g)  | does the daily drop/lock box collections report include the:  |       |       |       |       |
|     | • date?   | _____ | _____ | _____ | _____ |
|     | • name of payor?  | _____ | _____ | _____ | _____ |
|     | • amount received?  | _____ | _____ | _____ | _____ |
|     | • method of payment and check number when applicable?   | _____ | _____ | _____ | _____ |
|     | • purpose of payment?   | _____ | _____ | _____ | _____ |
|     | • accounting information?   | _____ | _____ | _____ | _____ |
|     | • cause number?   | _____ | _____ | _____ | _____ |
| h)  | is the report signed or initialed and dated by the person preparing it?   | _____ | _____ | _____ | _____ |
| i)  | are the payments and report forwarded to the appropriate individual for preparation of the receipts?  | _____ | _____ | _____ | _____ |

- j) does the individual verify that the amount received matches the amount on the report? \_\_\_\_\_
- k) are receipts deposited to the bank daily or remitted to the treasurer daily? \_\_\_\_\_
- l) are receipt copies forwarded to appropriate personnel for accounting and auditing purposes? \_\_\_\_\_

**Mail Payments**

- 81. Is mail opened daily? \_\_\_\_\_
- 82. Is mail opened by someone who is not handling other monies? \_\_\_\_\_
- 83. If the person opening the mail also has to have responsibilities for other monies, is mail opened at a time of the day and in a location where other monies are not being handled? \_\_\_\_\_
- 84. Is mail opened out in the open, not in an enclosed office? \_\_\_\_\_
- 85. Does the person opening the mail:
  - a) separate all money from other correspondence? \_\_\_\_\_
  - b) restrictively endorse all checks and money orders with the words "For Deposit Only" and the account number? \_\_\_\_\_
  - c) prepare a daily mail collections report? \_\_\_\_\_
- 86. Does the daily mail collections report include the:
  - a) date? \_\_\_\_\_
  - b) name of payor? \_\_\_\_\_
  - c) amount received? \_\_\_\_\_
  - d) method of payment and check number when applicable? \_\_\_\_\_
  - e) purpose of the payment? \_\_\_\_\_
  - f) accounting information? \_\_\_\_\_
- 87. Is the daily mail collections report signed or initialed and dated by the person preparing it? \_\_\_\_\_
- 88. Are the payments and the report forwarded to the appropriate individual for preparation of the receipts? \_\_\_\_\_
- 89. Does the individual verify that the amount received matches the amount on the report? \_\_\_\_\_

- |     |   |       |       |       |       |
|-----|---|-------|-------|-------|-------|
| 90. | Are payments deposited in the bank daily or remitted to the city treasurer daily?           | _____ | _____ | _____ | _____ |
| 91. | Are receipt copies forwarded to appropriate personnel for accounting and auditing purposes? | _____ | _____ | _____ | _____ |

**Installment Payments**

- |      |  |       |       |       |       |
|------|--|-------|-------|-------|-------|
| 92.  | Is there a written description of under what circumstances installment or partial payments can generally occur?  | _____ | _____ | _____ | _____ |
| 93.  | Is there a written installment agreement any time payment plans are used?  | _____ | _____ | _____ | _____ |
| 94.  | Does the agreement clearly state the terms of the agreement, including payment amounts and dates?  | _____ | _____ | _____ | _____ |
| 95.  | Is the agreement signed and dated by both the judge and the defendant?   | _____ | _____ | _____ | _____ |
| 96.  | Is a copy of the signed agreement given to the defendant?  | _____ | _____ | _____ | _____ |
| 97.  | Is there an efficient way to keep up with payments and indicate past due amounts?  | _____ | _____ | _____ | _____ |
| 98.  | Are delinquents payments followed up on?   | _____ | _____ | _____ | _____ |
| 99.  | Does the office maintain a list of individuals who did not adhere to an agreement so that can be taken into account if they are ever considered for another agreement? | _____ | _____ | _____ | _____ |
| 100. | Is there a control total for all outstanding amounts?  | _____ | _____ | _____ | _____ |
| 101. | Is the control total periodically compared to subsidiary records?  | _____ | _____ | _____ | _____ |

**Jail Credits**

- |      |  |       |       |       |       |
|------|--|-------|-------|-------|-------|
| 102. | Is there appropriate documentation for the time defendant spent in jail?   | _____ | _____ | _____ | _____ |
| 103. | Is there a form at the jail showing the time the defendant was placed in jail and the time the defendant was released from jail?           | _____ | _____ | _____ | _____ |
| 104. | Is the form signed or initialed by the appropriate individual at the jail showing the date and time the individual was placed in jail?     | _____ | _____ | _____ | _____ |
| 105. | Is the form signed or initialed by the appropriate individual at the jail showing the date and time the individual was released from jail? | _____ | _____ | _____ | _____ |
| 106. | Is a copy of the completed form forwarded to the municipal court?  | _____ | _____ | _____ | _____ |

- |      |  |       |       |       |       |
|------|--|-------|-------|-------|-------|
| 107. | Does the appropriate individual in the court enter the credit in the accounting and other records and appropriately file the form? | _____ | _____ | _____ | _____ |
| 108. | If not previously entered, is the cause number entered on the form?  | _____ | _____ | _____ | _____ |
| 109. | Is the amount of the credit and how it was arrived at entered on the form?   | _____ | _____ | _____ | _____ |
| 110. | Is the form signed or initialed and dated by the individual entering the credit in the accounting records?                         | _____ | _____ | _____ | _____ |
| 111. | Is there a determination made as to whether there is anything still owed by the defendant?   | _____ | _____ | _____ | _____ |
| 112. | If an additional amount is owed, are appropriate procedures followed to satisfy the balance?                                       | _____ | _____ | _____ | _____ |

**Community Service Credits**

- |      |   |       |       |       |       |
|------|---|-------|-------|-------|-------|
| 113. | Is there appropriate documentation for the defendant to perform community service?  | _____ | _____ | _____ | _____ |
| 114. | Does the order specify:   |       |       |       |       |
|      | a) the number of hours the defendant is required to work?   | _____ | _____ | _____ | _____ |
|      | b) the date the work must be completed?   | _____ | _____ | _____ | _____ |
| 115. | Has the court verified that the entity or organization:   |       |       |       |       |
|      | a) qualifies under Art. 45.049/45A.254, C.C.P.?   | _____ | _____ | _____ | _____ |
|      | b) agrees to supervise the defendant's work and report on the work to the judge?  | _____ | _____ | _____ | _____ |
| 116. | Has it been verified that the judge did not order the defendant to perform more than 16 hours per week of community service unless the judge has determined it will not work a hardship on the defendant or the defendant's dependents? | _____ | _____ | _____ | _____ |
| 117. | Is a copy of the order given to the defendant?  | _____ | _____ | _____ | _____ |
| 118. | Is a copy of the judge's order and a form sent to the entity or organization?   | _____ | _____ | _____ | _____ |
| 119. | Does the form provide space for the entity or organization to indicate whether or not the work was performed as specified in the judge's order?   | _____ | _____ | _____ | _____ |
| 120. | Do entities or organizations specifically indicate how many hours defendants work?  | _____ | _____ | _____ | _____ |

- |      |   |       |       |       |       |
|------|---|-------|-------|-------|-------|
| 121. | Does the form provide space for the entity or organization to enter any additional comments about defendants it feels are warranted?  | _____ | _____ | _____ | _____ |
| 122. | Are forms signed and dated by appropriate entity or organization representatives?   | _____ | _____ | _____ | _____ |
| 123. | Are orders kept in some sort of tickler system so they can be timely pulled and followed up on if not received back when due?   | _____ | _____ | _____ | _____ |
| 124. | When completed forms are received back from entities or organizations, does the appropriate individual in the court verify the amount and enter the credit in the accounting and other records and file the form with the case records? | _____ | _____ | _____ | _____ |
| 125. | Does the individual in the court entering the credit in the accounting records sign or initial and date the form?   | _____ | _____ | _____ | _____ |
| 126. | Does the court determine if there are any additional amounts owed, and if so, follow appropriate procedures to satisfy any balance?   | _____ | _____ | _____ | _____ |

**Forfeiture of Cash Bonds**

- |      |   |       |       |       |       |
|------|---|-------|-------|-------|-------|
| 127. | Does the defendant sign and receive appropriate paperwork?  | _____ | _____ | _____ | _____ |
| 128. | Is a receipt issued to the person posting the bond when payment is made?  | _____ | _____ | _____ | _____ |
| 129. | Is it indicated on the receipt that payment is for a cash bond?   | _____ | _____ | _____ | _____ |
| 130. | Is money adequately safeguarded until deposited or remitted?  | _____ | _____ | _____ | _____ |
| 131. | If part or all of the bond is refunded to the defendant, is any interest earned on the refunded amount returned to the defendant as well?                               | _____ | _____ | _____ | _____ |
| 132. | Are receipt copies forwarded to appropriate personnel for accounting and auditing purposes?   | _____ | _____ | _____ | _____ |
| 133. | If a defendant fails to appear, are the appropriate procedures in Chapters 22 (appearance bond) or 45, C.C.P. followed?   | _____ | _____ | _____ | _____ |
| 134. | If the bond is collected under Article 45.044/45A.256. C.C.P., and the money has already been remitted to the city treasurer, is appropriate paperwork forwarded to the | _____ | _____ | _____ | _____ |

- treasurer, indicating that the bond amount should now be applied to court costs, fees, and fine and how much to apply to each? \_\_\_\_\_
135. If the bond is collected under Article 45.044/45A.256, C.C.P., and the money has been kept in a cash bond account in the court, is the appropriate amount remitted to the city treasurer, indicating how much should be applied to court costs, fees, and fine? \_\_\_\_\_
136. If the court is using the bond forfeiture provisions of Chapter 22 and the money has already been remitted to the city treasurer, is appropriate paperwork forwarded to the treasurer, indicating the amount that should be applied as general revenue for the city? \_\_\_\_\_
137. If the court is using the bond forfeiture provisions of Chapter 22 and the money has been kept in a cash bond account in the court, is the appropriate amount remitted to the city treasurer, indicating the amount that should be applied as general revenue for the city? \_\_\_\_\_

**Receipts Journal**

138. Is a receipts journal used to chronologically account for individual receipts issued? \_\_\_\_\_
139. Is the receipts journal maintained on a daily basis? \_\_\_\_\_
140. Does the receipts journal include:
- a) date of transactions? \_\_\_\_\_
  - b) names of payors? \_\_\_\_\_
  - c) docket numbers? \_\_\_\_\_
  - d) receipt numbers? \_\_\_\_\_
  - e) an actual column to keep up with the total amount received? \_\_\_\_\_
  - f) individual columns indicating what the money is received for (e.g., fines, fees by type, court costs by type)? \_\_\_\_\_
141. Are entries to the receipts journal made from the receipt copies maintained by the court? \_\_\_\_\_
142. Are entries verified for mathematical accuracy? \_\_\_\_\_
143. Are entries periodically reviewed by someone other than the person making them, comparing the entries with appropriate source documents? \_\_\_\_\_

144. Are entries made by someone not receiving payments, preparing bank deposits, or approving disbursements? \_\_\_\_\_

**Disbursements**

If the court maintains a bank account:

145. Are all disbursements by check? \_\_\_\_\_

146. Are all checks prenumbered? \_\_\_\_\_

147. Are all checks preprinted with the name of the city and indicate “municipal court”?

148. Are all unused checks accounted for and adequately safeguarded? \_\_\_\_\_

149. Does the checkbook contain sufficient room on the stubs for adequate descriptions of disbursements? \_\_\_\_\_

150. Are checks prepared only when supporting documentation is present and after such is verified? \_\_\_\_\_

151. Is the payee line on checks completed by the person preparing the checks, not the person signing them? \_\_\_\_\_

152. Are checks prevented from being made out to “cash” or “bearer”?

153. Are checks prepared and delivered timely? \_\_\_\_\_

154. Are checks signed by someone not keeping the books or preparing the checks? \_\_\_\_\_

155. Are authorized check signatures kept to a minimum? \_\_\_\_\_

156. If a stamp or check-signing device is used, is it appropriately safeguarded? \_\_\_\_\_

157. Are checks prevented from being pre-signed? \_\_\_\_\_

158. Are checks issued without allowing them to be returned to the person who approves them or does the bookkeeping for them? \_\_\_\_\_

159. Are all voided checks clearly marked “void” and kept with the checkbook and later placed in the reconciliation envelope or folder? \_\_\_\_\_

160. Has a determination been made as to whether a disbursements journal is needed (based on number of disbursements per month)? \_\_\_\_\_

161. If it is determined that a journal is needed:  
 a) is it used to chronologically account for all disbursements? \_\_\_\_\_

- |    |   |       |       |       |       |
|----|---|-------|-------|-------|-------|
| b) | is it maintained on a daily basis?                                      | _____ | _____ | _____ | _____ |
| c) | does it include:  |       |       |       |       |
|    | • date of transaction?  | _____ | _____ | _____ | _____ |
|    | • name of payee?  | _____ | _____ | _____ | _____ |
|    | • check number?   | _____ | _____ | _____ | _____ |
|    | • an actual column to keep up with total amounts disbursed?             | _____ | _____ | _____ | _____ |
|    | • several individual columns indicating what the disbursements are for? | _____ | _____ | _____ | _____ |
| d) | are entries to the journal made from check copies or check stubs?       | _____ | _____ | _____ | _____ |

**Unclaimed Funds**

- |      |   |       |       |       |       |
|------|---|-------|-------|-------|-------|
| 162. | When someone identifies money that he or she does not know who paid it or what it was for, does he or she document in writing what was found, where it was found, and how it was found? | _____ | _____ | _____ | _____ |
| 163. | Does he or she sign the documentation?  | _____ | _____ | _____ | _____ |
| 164. | Does the person identifying the money communicate it to appropriate personnel within the court and city?  | _____ | _____ | _____ | _____ |
| 165. | Is a thorough analysis made to try and determine who the money belongs to?  | _____ | _____ | _____ | _____ |
| 166. | If it can be determined who the money belongs to, is it turned in to the city treasurer and are steps initiated to get it to the rightful owner?  | _____ | _____ | _____ | _____ |
| 167. | If it cannot be determined who the money belongs to, is it turned in to the city treasurer for contacting the Unclaimed Property Section in the Comptroller's Office?                   | _____ | _____ | _____ | _____ |

**Daily Balancing**

- |      |   |       |       |       |       |
|------|---|-------|-------|-------|-------|
| 168. | Are receipts balanced out daily?  | _____ | _____ | _____ | _____ |
| 169. | Is each person receiving money initially responsible for balancing out his or her cash box or drawer? | _____ | _____ | _____ | _____ |
| 170. | Does each person receiving money fill out a daily reconciliation form?                                | _____ | _____ | _____ | _____ |
| 171. | Does the individual preparing the form sign or initial and date it?                                   | _____ | _____ | _____ | _____ |



- |      |   |       |       |       |       |
|------|---|-------|-------|-------|-------|
| 172. | Is the reconciliation verified and approved by someone else in the presence of the person preparing it?   | _____ | _____ | _____ | _____ |
| 173. | Does the person approving the reconciliation also sign or initial and date the form?  | _____ | _____ | _____ | _____ |
| 174. | When doing a reconciliation, does the person check to see that the total amount of money in the cash box or drawer less the amount of the change fund equals the total amount shown on the receipts issued for the day? | _____ | _____ | _____ | _____ |
| 175. | Are any overages or shortages clearly shown on the reconciliation form?   | _____ | _____ | _____ | _____ |

**Remittance of Collections**

- |      |   |       |       |       |       |
|------|---|-------|-------|-------|-------|
| 176. | If the municipal court maintains a bank account:  |       |       |       |       |
|      | a) are remittances made to the city treasurer on a consistent basis?  | _____ | _____ | _____ | _____ |
|      | b) in determining the frequency of remittances, has size of the city and court and the amount of money involved been taken into consideration?  | _____ | _____ | _____ | _____ |
|      | c) are remittances made no less frequently than monthly?  | _____ | _____ | _____ | _____ |
|      | d) are remittances made by check?   | _____ | _____ | _____ | _____ |
| 177. | If the municipal court does not maintain a bank account, are remittances made to the city treasurer on a daily basis?   | _____ | _____ | _____ | _____ |
| 178. | Is a remittance form showing what the money is for included with the remittance?  | _____ | _____ | _____ | _____ |
| 179. | Is the breakdown on the remittance form detailed enough so that the treasurer will know what fund(s) and account(s) to deposit the money into and how to complete any applicable related reports? | _____ | _____ | _____ | _____ |
| 180. | Is the remittance form signed by an appropriate individual in the court?  | _____ | _____ | _____ | _____ |
| 181. | Is a receipt obtained from the treasurer showing the amount remitted?   | _____ | _____ | _____ | _____ |
| 182. | If a receipt cannot be obtained, does the treasurer sign and date the remittance form indicating agreement with the amount? Is a copy made and kept for the court?                                | _____ | _____ | _____ | _____ |

**Bank Account Reconciliation**

- 183. Are bank statements reconciled promptly upon receipt? \_\_\_\_\_
- 184. Are bank reconciliations performed by someone who is not responsible for writing, recording, or signing checks? \_\_\_\_\_
- 185. Does the person who reconciles the bank statements receive those statements unopened from the bank? \_\_\_\_\_
- 186. Are reconciliations done correctly? \_\_\_\_\_
- 187. Are completed reconciliations signed or initialed and dated by the person doing them? \_\_\_\_\_
- 188. Are reconciliations reviewed and approved by someone other than the person doing them? \_\_\_\_\_

**Monthly Reporting**

- 189. Is a financial report showing the court’s financial position and results of operations prepared each month? \_\_\_\_\_
- 190. Does the report show the beginning balance the court was responsible for at the beginning of the month? \_\_\_\_\_
- 191. Does the beginning balance include the following:
  - a) all change funds? \_\_\_\_\_
  - b) all bank account book balances? \_\_\_\_\_
  - c) any other funds under the control of the court? \_\_\_\_\_
- 192. Does the report show a detailed breakdown of receipts? \_\_\_\_\_
- 193. Does the report show a detailed breakdown of disbursements/remittances? \_\_\_\_\_
- 194. Does the report show an ending balance? \_\_\_\_\_
- 195. Does the ending balance include the following:
  - a) all change funds? \_\_\_\_\_
  - b) all bank account book balances? \_\_\_\_\_
  - c) any other funds under the control of the court? \_\_\_\_\_
- 196. Is the report signed and dated by the person preparing it? \_\_\_\_\_
- 197. Is the report reviewed and approved by appropriate court personnel? \_\_\_\_\_

198. Is the report signed and dated by the person approving it? \_\_\_\_\_
199. Is the report turned in based on city policy? \_\_\_\_\_

**Computer System Selection Process**

200. Is there a computer system selection process for the court? \_\_\_\_\_
201. Does the process include the following steps:
- a) becoming familiar with computer systems and their capabilities? \_\_\_\_\_
  - b) deciding the need and ability to automate? \_\_\_\_\_
  - c) defining hardware and software needs? \_\_\_\_\_
  - d) developing a request for proposals? \_\_\_\_\_
  - e) accepting and evaluating bids/proposals? \_\_\_\_\_
  - f) selecting the system? \_\_\_\_\_
202. Does the step on becoming familiar with computer systems and their capabilities include the following:
- a) reading and studying books and periodicals? \_\_\_\_\_
  - b) visiting and reviewing computer systems already owned by the city? \_\_\_\_\_
  - c) visiting and reviewing computer systems operated by other municipal courts? \_\_\_\_\_
  - d) visiting computer system displays at conferences, seminars, and meetings? \_\_\_\_\_
  - e) identifying people knowledgeable about computer systems and discussing computer systems with them? \_\_\_\_\_
  - f) developing a file on computer system information and capabilities? \_\_\_\_\_
203. Does the step on deciding the need and ability to automate include the following:
- a) determining the specific objectives of the court? \_\_\_\_\_
  - b) flowcharting and writing out what is done, how it is done, when it is done, and who does it? \_\_\_\_\_

	c)	analyzing in detail the flow of documents and reports along with their format and contents?	_____	_____	_____	_____
	d)	determining how long each phase of the court's operation takes?	_____	_____	_____	_____
	e)	determining how much each phase of the court's operation costs?	_____	_____	_____	_____
	f)	anticipating the court's future workload?	_____	_____	_____	_____
	g)	determining which phases of the court's operation lend themselves to automation?	_____	_____	_____	_____
	h)	identifying what capabilities automation may bring that the court currently does not have?	_____	_____	_____	_____
	i)	listing the pros and cons of automation?	_____	_____	_____	_____
	j)	determining if automation will be feasible with current personnel?	_____	_____	_____	_____
	k)	determining if additional personnel will be needed?	_____	_____	_____	_____
	l)	determining what training will be necessary?	_____	_____	_____	_____
	m)	making an initial decision of whether automation is financially possible?	_____	_____	_____	_____
	n)	determining what changes can be made in present operations as a result of reviewing operations?	_____	_____	_____	_____
204.		Are hardware and software needs determined jointly?	_____	_____	_____	_____
205.		Does the step on defining hardware components and software package needs include the following:				
	a)	identifying specifically, and in detail, what the court wants a computer system to do?	_____	_____	_____	_____
	b)	evaluating the different types of computer systems and related software?	_____	_____	_____	_____
	c)	deciding on the type of computer system needed and the related software?	_____	_____	_____	_____
	d)	deciding on the type of hardware and software packages needed?	_____	_____	_____	_____
206.		Are specifications prepared by the person or department responsible for the purchasing function within the city?	_____	_____	_____	_____

- |      |   |       |       |       |       |
|------|---|-------|-------|-------|-------|
| 207. | Does the municipal court have input concerning the content of the specifications?                             | _____ | _____ | _____ | _____ |
| 208. | Are the criteria used for evaluating bids/proposals determined prior to the time bids/proposals are received? | _____ | _____ | _____ | _____ |
| 209. | Is the relative importance of evaluation criteria predetermined?  | _____ | _____ | _____ | _____ |
| 210. | In evaluating bids/proposals, does the criteria used to make the evaluation include the following:            |       |       |       |       |
|      | a) costs, both current and future?  | _____ | _____ | _____ | _____ |
|      | b) reputation of the vendor?  | _____ | _____ | _____ | _____ |
|      | c) experience of the vendor?  | _____ | _____ | _____ | _____ |
|      | d) training provided by the vendor?   | _____ | _____ | _____ | _____ |
|      | e) service of the vendor?   | _____ | _____ | _____ | _____ |
|      | f) expected reliability of the hardware?  | _____ | _____ | _____ | _____ |
|      | g) terms of the proposed contract?  | _____ | _____ | _____ | _____ |
|      | h) specifics concerning the hardware (e.g., capacity, speed, computability, expandability)?                   | _____ | _____ | _____ | _____ |
|      | i) specifics concerning the software (e.g., what it will do and ease of use)?                                 | _____ | _____ | _____ | _____ |
|      | j) software/hardware security?  | _____ | _____ | _____ | _____ |

**Auditing**

- |      |   |       |       |       |       |
|------|---|-------|-------|-------|-------|
| 211. | Is the court audited annually by an independent CPA?  | _____ | _____ | _____ | _____ |
| 212. | Is the office audited periodically by city internal auditors?                                     | _____ | _____ | _____ | _____ |
| 213. | Is some audit work done each quarter?   | _____ | _____ | _____ | _____ |
| 214. | Does audit work include the following:  |       |       |       |       |
|      | a) surprise cash counts?  | _____ | _____ | _____ | _____ |
|      | b) reviewing bank reconciliations?  | _____ | _____ | _____ | _____ |
|      | c) accounting for all receipts?   | _____ | _____ | _____ | _____ |
|      | d) auditing receipts for proper amount collected, deposited, or remitted and correct bookkeeping? | _____ | _____ | _____ | _____ |
|      | e) confirming amounts paid (or the fact that nothing was paid) with defendants?                   | _____ | _____ | _____ | _____ |
|      | f) reviewing reports?   | _____ | _____ | _____ | _____ |
| 215. | Are appropriate audit recommendations implemented?  | _____ | _____ | _____ | _____ |

216. Are the appropriate recommendations implemented timely?

\_\_\_\_\_

Excerpts from *City and County Financial Management Newsletter Systems*, a publication of the State Comptroller. Used with permission.

## ANSWERS TO QUESTIONS

### PART 1

1. False.
2. True.
3. True.
4. True.
5. The treasurer's office, the accounting department, and the internal auditor's office.
6. At least annually.
7. True.
8. True.
9. True.
10. False.
11. True.
12. False (it is easier).
13. False.
14. True.
15. False.
16. True.
17. True.
18. The decline in the public's perception of and confidence in government.
19. Expected benefit.
20. Protect those people who do their job and do it right.
21. The three basic functions that should, if at all possible, be performed by three different people in a municipal court are:
  - authorization (approval) of transactions;
  - recording of transactions; and
  - custody of assets (cash and other property).
22. Three other means that take on added importance in helping assure reliable internal control when a strict separation of duties cannot be maintained due to a limited staff size are:
  - rotation of duties among personnel;
  - more strict supervision;
  - special double-checking of work;
  - enforced vacations;
  - additional training to improve quality of work; and
  - more frequent internal audits.
23. That no person should handle a transaction from beginning to end.
24. Receipts and checks.
25. In a municipal court, three of the tasks that sound procedures should provide for include:
  - use and control of prenumbered forms/documents;

- cross-referencing of documents;
  - periodic reconciliation of subsidiary records to control totals;
  - proper authorization of transactions;
  - effective, timely reporting of transactions;
  - safeguarding of assets;
  - appropriate flow of documents;
  - reasonable amount of checking the work of others; and
  - bonding of all employees with access to cash and other valuables.
26. Annually.
27. False.
28. True.
29. True.
30. True.
31. False.
32. True.
33. It will somehow enhance overall city operations (e.g., better safeguarding of money or more efficient handling of court operations).
34. Not also someone who has recordkeeping or custodial functions.
35. It makes it even more difficult to appropriately divide duties.
36. A sum of money set aside for making small cash purchases on a contingency basis.
37. The purpose of making change for customers.
38. Each individual receiving money and issuing receipts.
39. It is helpful to have signs posted in a municipal court stating
- checks and money orders will be accepted for amount of payment only;
  - checks will not be cashed;
  - when paying in cash, please have as close to the exact amount as possible.
40. False.
41. False.
42. False.
43. True.
44. True.
45. False.
46. True.
47. False.
48. False.
49. True.
50. Regular prenumbered, hardcopy receipts.
51. Centrally by the city and distributed to the municipal court as needed.
52. Each time a payment is received.



53. Eight things a receipt form should provide adequate space for include:
- date issued;
  - docket number;
  - amount received;
  - who the money is being received from;
  - what the money is being received for;
  - method of payment (i.e., cash, check, money order, credit card) and check or money order number when applicable;
  - signature, electronic signature or initials of individual preparing the receipt; and
  - any other information relevant in the circumstances.
54. Because the payee is not present and no receipt is issued at the time of payment.
55. Mail should be opened at a time of the day and in a location where other monies are not being handled.
56. Possible benefits to accepting credit card payments are:
- decreasing outstanding amounts owed;
  - reducing the number of defendants on installment agreements;
  - increasing taxpayer service by providing a convenient way to make payment; and
  - reducing administrative costs of the municipal court.
57. Ensuring that payments are made timely and that missed payments are promptly followed up on.
58. The terms of the agreement, including payment amounts and dates.
59. True.
60. True.
61. False.
62. False.
63. False.
64. True.
65. True.
66. True.
67. True.
68. False.
69. True.
70. True.
71. True.
72. False.
73. True.
74. True.
75. True.
76. False.
77. True.

78. True.
79. True.
80. True.
81. True.
82. True.
83. True.
84. False.
85. True.
86. False.
87. Returned to the defendant as well.
88. The paperwork should:
- indicate to the treasurer that the bond amount should now be applied to court costs, fees, and fines and how much to apply to each; and
  - indicate the amount to be refunded to the defendant if the defendant is entitled to jail-time credit.
89. As general revenue for the city.
90. True.
91. False.
92. True.
93. False (each person should balance their own).
94. False.
95. The total amount of money in the cash box or drawer less the amount of the change fund.
96. True.
97. True.
98. Examining information and operations for mathematical accuracy, legality, and propriety. It is a process of determining whether all transactions are properly recorded in the accounts and appropriately reflected in statements and reports.
99. Objectives of auditing include assuring that:
- the court has collected all the money they are supposed to;
  - money collected was properly remitted to the appropriate party;
  - property is properly managed;
  - money and other property is properly accounted for, properly reported, and adequately safeguarded; and
  - operations conform to laws, rules, and prescribed procedures.
100. Examples of the type of audit work that should be done in a municipal court are:
- conducting surprise cash counts;
  - reviewing bank reconciliations;
  - accounting for all receipts;
  - auditing receipts for proper amount collected, deposited, or remitted and correct bookkeeping;

- confirming amounts paid (or the fact that nothing was paid) with defendants; and
  - reviewing reports.
101. Items an auditor may want to examine during the course of an audit are:
- procedures manual, including any internal control procedures used in the court;
  - bookkeeping system, including reports, ledgers, and journals;
  - docket books;
  - monthly bank reconciliations for each bank account, including canceled checks and bank statements for the period covered by the audit;
  - fixed assets assigned to the court;
  - change funds, receipts (issued and unissued), and monies collected; and
  - office files and related correspondence.
102. True.
103. False (that is an external audit).
104. False (it is recommended it be conducted by an independent person).
105. True.
106. False.
107. True.