



CIRCUIT COURT OF JACKSON COUNTY, MISSOURI
415 East 12th Street
KANSAS CITY, MISSOURI 64106

POLICY AND PROCEDURE

Issued by: Court Administrator

Topic: **Internal Controls**

Effective Date: December 7, 2012

New:

Revised: December 18, 2013

Rescinds:

Reviewed:

POLICY:

It is the policy of the Court Administrator that the Court's departments, divisions, services, programs, and units operate in accordance with plans, policies, and procedures which are designed to provide a reasonable assurance of:

1. reliable financial information;
2. compliance with all applicable laws and regulations; and
3. effective and efficient operations.

These plans, policies, and procedures are designed to:

1. minimize the possibility of errors, safeguard the Court's assets, and reduce the risk of loss, theft, or misuse of funds or other resources;
2. provide a clear audit trail (showing who did what and when they did it); and
3. provide for early detection of errors and/or irregularities than would otherwise be the case.

PROCEDURES:

1. Responsibilities. Internal control is a process, a means to an end, and not an end in itself. It is not something which is completed and then set aside. Internal control is everyone's responsibility as virtually all employees play some role in internal control; however, Deputy Court Administrators and all Directors, including but not limited to the Director of the Fiscal Office and the Budget and Fiscal Operations Officers, who exercise any level of control over appropriated or non-appropriated funds, bank accounts, purchasing, receipts, disbursements and

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payments, asset control, payroll, time and attendance reporting, credit or purchasing cards, inventory, or operating automation systems used in any of these of processes are responsible to insure that their units, departments, offices, programs, and services have documented internal control processes, plans, and procedures and are following those processes and procedures. Many of these plans and procedures will consist of departmental implementation of existing Court policies (e.g. Purchasing Policy, Purchasing Card Policy, Reporting Fraud, Waste, and Misuse Policy, payroll and timekeeping policies, travel expense reimbursement, Electronic Communications Policy, etc.) while many other processes unique to a department will need to be developed/documented, the staff trained, and those control processes implemented by that Director or DCA (e.g. how Jury Room staff pays jurors; how the accounts payable process is implemented in the Budget Office; how position control is implemented in HR; or how passwords are issued and controlled by Court Information Technology).

2. Deputy Court Administrators and Directors will insure that the following basic principles of internal control are incorporated into their systems of management and internal control and all processes and procedures:
 - a. Appropriate segregation of duties. At a minimum, the functions of authorization (approval) of transactions, the recording of the transactions, and the custody of the assets (money or other property) will be performed by three different people. In the event that this segregation of duties is not possible because of the number of people in the office, other means will be implemented to help assure reliable control including such things as rotation of duties, more strict supervision, more frequent internal audits or simply by asking a director from another department to have someone review certain steps in the process. The basic point is that **no single person shall handle a transaction from beginning to end**.
 - b. Qualified Personnel. Positions must be filled with the most qualified and competent persons possible. In addition to selecting the most suitable candidates, training is critical. All personnel shall know clearly 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 office, with the duties of other offices and departments, and how their duties support and contribute to good internal control.
 - c. Sound procedures for authorizing, recording, and reporting transactions. All offices shall have logical, consistent procedures that describe in detail the duties that must be performed, how they are to be performed, and who is to perform them. These procedures should provide for:
 - i. use and control of pre-numbered or system-numbered forms and documents (e.g. receipts, checks, requisitions, purchase orders, etc.).
 - ii. cross referencing of documents (e.g. case number to receipt number).
 - iii. periodic reconciliation of subsidiary records to control totals.
 - iv. proper authorizations for all transactions including court orders and statutes (requisitions, purchases, contracts, disbursements, system generated and manual receipts, etc.).
 - v. effective, timely reporting of transactions (monthly reports).
 - vi. safeguarding assets (money and other assets).
 - vii. appropriate flow of documents or electronic approvals.
 - viii. position control, payroll processes, time and attendance reporting.
 - ix. review and double checking the work of others for errors and irregularities.

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- x. review and reconciliation of general ledger account balances, outstanding payables, outstanding checks, purchase orders, requisitions, encumbrances, and court ordered investment accounts.
 - xi. periodic asset inventories and reconciliation to records.
 - xii. insuring compliance with all applicable statutes, regulations, and policies.
 - d. Actual performance consistent with the first three principles. A good system design will not guarantee good internal control – the system must be followed. Results must be monitored to see if the system is working. The manager’s attitude and desire for good control is the most important part of a good system. If the manager cuts corners and doesn’t emphasize good controls, it is likely that his/her employees will do the same. All supervisors, managers, and directors will periodically review their operations to ensure performance is consistent with good internal control.
- 3. Preparation of plans and procedures. All Deputy Court Administrators, all Service and Department Directors, Director of the Fiscal Office, and Budget and Fiscal Operations Officers will prepare and implement internal control plans and procedures in accordance with the purpose, responsibilities, and principles outlined in this policy. These unit/departamental plans will be reviewed during internal audits conducted by the Internal Audit Committee (see below).
- 4. A separate internal control plan and checklist will be created to address all case accounting and financial management aspects of case accounting as well as delinquent land tax sales and all other sales made by the Unit of Service and Judgment Enforcement, and jury financial operations. The Director of the Fiscal Office will be responsible for working with the applicable department-level representatives in developing and implementing this plan and all related processes.
- 5. Audits.
 - a. Internal Audits. As outlined in the principles, frequent reviews shall be performed and documented within the unit/department by directors and managers. In addition, the Court Administrator will appoint an Internal Audit Committee which will consist of the Director of the Fiscal Office, the Budget and Fiscal Operations Officers, and other such members as he may deem appropriate. The Internal Audit Committee shall meet at least quarterly and will develop and implement a system of internal audit that covers all units/departments of the Court having these responsibilities. This Committee will report to the Court Administrator and periodically to the Court’s Budget and Audit Committee, either through the Audit Sub-Committee, or directly to the full committee.
 - b. Annual External Audit. Beginning with Fiscal Year 2013 financial records, both the Family (who will continue their annual audit program) and Circuit Courts will undergo annual independent audits for receipts and disbursements of all funds received and disbursed by the Court as well as any funds held in the court registry or investment accounts. Budget and Fiscal Officers shall ensure that the cost of these audits is included in the annual budget requests beginning with the FY 2014 Budgets.
 - c. State Audit. The Court is subject to audits by the Missouri State Auditor.
 - d. All appropriated funds and related transactions are recorded in records maintained by the funding authority, Jackson County Missouri. Hence, those expenditures are a part of the annual independent audit conducted on behalf of the funding authority and are addressed by that audit report and the Jackson County Comprehensive Annual

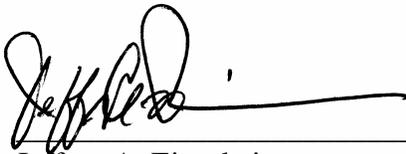
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Financial Report (CAFR). Nevertheless, the Court's internal audits will cover all appropriated fund activity whether from the general fund, special revenue funds (such as the anti-drug sales tax fund or health fund) or from grant funds.

6. Assistance. If any unit, department, or service requires assistance or has questions pertaining to internal control which cannot be adequately addressed with internal resources, the Internal Audit Committee is available for consultation at any time. This assistance should be requested directly to the Court Administrator.

REVISIONS: The proponent of this policy is the Court Administrator. If you have recommended changes or want to report errors, send your suggestions to the Court Administrator.

REVIEW DATE: December 17, 2014.



Jeffrey A. Eisenbeis
Court Administrator

December 19, 2013
Date