



**A Report to the
Audit Committee**

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Circuit Court Clerk
Joseph P. Day

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Audit of the Circuit Court Clerk

June 14, 2023

Metropolitan
Nashville
Office of
Internal Audit

EXECUTIVE SUMMARY

June 14, 2023



Why We Did This Audit

Newly elected Circuit Court Clerk, Joseph P. Day requested this audit of the previous administration's operations.

What We Recommend

- Case management system access should be assigned and reviewed regularly.
- Transfer of custody of collections should be documented and retained.
- Daily counts and balancing should be documented and retained.

Audit of the Circuit Court Clerk

BACKGROUND

The Davidson County Circuit Court Clerk's Office is charged with maintaining the records of the 8 Circuit Courts and also maintaining the civil records of the 11 General Session Courts. The Circuit Court Clerk oversees four distinct offices - Circuit Court Clerk, Probate Court Clerk, General Sessions-Civil Division Clerk, and the Traffic Violation Bureau.

OBJECTIVES AND SCOPE

The objectives of this audit are to determine if:

- Controls are in place to ensure collections are properly safeguarded, accounted for, and deposited timely.
- Software controls are in place to limit access to least permissions needed and to ensure segregation of duties.

The scope of this audit includes the Circuit Court Clerk's office activity during the period of July 1, 2020, through August 31, 2022.

WHAT WE FOUND

The Circuit Court Clerk's Office has generally established controls over collections. However, controls over transfer of custody and recording of receipts were lacking.

The traffic ticket process within the Circuit Court Clerk's Office ensured integrity of the lifecycle. Additionally, the TVIS system in the Traffic Violation Bureau, was maintained by the Justice Integration Services with proper access controls.

Software controls over the case management system were lacking. The controls over system access should be improved in the case management system used by the Circuit Court Clerk, Probate Court Clerk, and the General Sessions – Civil Division.

GOVERNANCE

Tennessee Code Annotated §18-4-101 through §18-4-107 sets up and guides the Circuit Court Clerk's election and duties. The Circuit Court Clerk position is an elected official with a four-year term. The Circuit Court Clerk is charged with the duty of the recordkeeping for the 8 Circuit Courts and civil records of the 11 General Sessions Courts.

BACKGROUND

The Circuit Court Clerk's office is sub-divided into four divisions: Probate Court Clerk, Traffic Violations Bureau, General Sessions – Civil Division, and Circuit Court Clerk. Each office serves the public and courts based upon the types of cases filed.

The Circuit Court Clerk's office handles contract disputes, civil torts, condemnations, worker's compensation claims, judicial committal petitions, adoptions, domestic matters including divorce, order of protection, and child support.

The Probate Court Clerk's Office handles clerk responsibilities for matters filed in the Seventh Circuit Court - Probate Division. The Court has exclusive jurisdiction over matters related to the administration of estates, probating of wills, conservatorships, guardianships, name changes, emancipations, and trust matters.

The General Sessions – Civil Division oversees civil warrants with jurisdictional limits of \$25,000, detainer warrants, recovery warrants, orders of protection, emergency committals, and environmental codes violations.

The Traffic Violations Bureau is a General Sessions Office responsible for the processing of citations issued by law enforcement for violations of Metropolitan Nashville Government ordinances or State of Tennessee motor vehicle codes. The office is charged with the responsibility of scheduling court dates, maintaining the citation record, and collecting violation fees.

OBJECTIVES AND CONCLUSIONS

1. Are controls in place to ensure collections are properly safeguarded, accounted for, and deposited timely?

Generally, yes. Walkthroughs, key employee discussions, and sample testing of daily collections in all four offices were performed. A sample of 24 business days for each office was reviewed for controls around the cash collection processes. No discrepancies were noted in the sample selections. Bank deposits for the prior business day's collections were appropriately done every business day. Although no discrepancies in amounts deposited were noted, controls over the collection procedures could be improved. (See Observation B.)

2. Are software controls in place to limit access to least permissions needed and to ensure segregation of duties?

Generally, no. The Circuit Court Clerk's Office utilizes two systems to accomplish the office responsibilities. The case management system, CourtNet, is used for multiple duties including collections, general ledger, eFile processing, and case management. Court documents and information are uploaded to the case management system. The system is used by the Circuit Court Clerk, Probate Court Clerk, and General Sessions offices. Access rights for the case management system could not be tested. The system is from a third-party vendor who is responsible for assigning access. The Circuit Court Clerk's Office did not have the access mapping, and the vendor could not easily provide the information. (See Observation A.)

Traffic ticket information is tracked in the Traffic Violations Bureau Information System (TVIS). TVIS was developed by and is maintained by the Metropolitan Justice Integration Services. Current access of roles, role capabilities, and related employee assignments were reviewed. All were employed at or before the date of the most recent role change dates. Since the office has had limitations on staff, some employees have backup role duties. Compensating controls are in place. No exceptions were noted.

AUDIT OBSERVATIONS

Internal control helps entities achieve important objectives to sustain and improve performance. The Committee of Sponsoring Organizations of the Treadway Commission (COSO), Internal Control – Integrated Framework, enables organizations to effectively and efficiently develop systems of internal control that adapt to changing business and operating environment, mitigate risks to acceptable levels, and support sound decision-making and governance of the organization. See **Appendix B** for a description of the observation *Assessed Risk Rating*.

Observation A – Case Management System Access

Access roles and responsibilities within the case management system used by the Circuit, Probate, and General Sessions offices could not be tested.

The offices use a case management system from CourtNet. The system serves as the offices’ general ledger and case management system and is accessed by different interfaces. The system was purchased from a third-party vendor and has been used since 1992 with frequent upgrades.

The department does not have a mapping of access levels to show the access granted when roles are assigned to users. The third-party vendor maintaining the system did not provide access levels due to the cumbersome nature of obtaining the information. Confirmation of segregation of duties and least permissions necessary could not be determined without a system report detailing the information.

An information technology staff member assigns roles to new employees according to the job duties stated by the applicable Chief Clerk. However, no formal procedures exist to review appropriateness of access and to ensure only current employees have access.

Without proper review, staff may have more access than necessary. Inappropriate use of the access and may not be prevented or detected. Additionally, terminated employees may continue to have access to the system after leaving their positions.

Criteria:

- COSO, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
- COSO, Control Activities—Principle 11—The organization selects and develops control activities through policies that establish what is expected and procedures that put policies into action.

Assessed Risk Rating:

High

Recommendations for the management of the Circuit Court Clerk:

1. Implement a written procedure to regularly review access levels assigned to roles within the case management system. Ensure access has segregation of duties and is least permissions needed for the role.
2. Implement a written procedure to regularly review employee access to determine if only active employees have access and employees have roles assigned appropriate for their job duties.

Observation B –Internal Controls Over Cash Collections

Internal controls were lacking in some areas around cash collections. Improvements could be made to ensure transfer of custody and recording of collections were documented appropriately.

Walkthroughs, key employee discussions, and sample testing of daily collections in all four offices were performed. A sample of 24 business days for each office was reviewed for controls around the cash collection processes. No discrepancies were noted in the sample selections. Bank deposits for the prior business day's collections were appropriately done every business day. Although no discrepancies in amounts deposited were noted, controls over the collection procedures could be improved.

Controls over collections where money is transferred between employees can be improved. The Traffic Office had controls in place related to supervisor sign off for voids or corrections, and controls were in place for handling cash in the mail. However, money was not counted and documented by two people when cashiers returned drawers to the bookkeeper at the end of each day. Within the Circuit and Probate offices, policies included evidence of transfer of custody controls; however, the documentation was not retained, and operation of the controls could not be determined.

The daily balancing process includes the use of many adding machine tapes and comparisons of amounts. The comparisons are internal control points. However, the Circuit and Probate offices did not always retain the documentation as evidence of review of cashier amounts during the daily balancing process. The offices maintain final reports but not the documentation of the controls operating during the processing.

Without proper documentation when cash is transferred, the risk of theft or errors is increased. Documentation of transfer of custody and recording controls can aid in tracing missing funds if a theft occurs.

Criteria:

- COSO, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

Assessed Risk Rating:

Medium

Recommendations for the management of the Circuit Court Clerk:

1. Create and implement a controls checklist to be signed and dated by the individuals reviewing daily functions. Checklist should include a listing of comparisons and other controls that were performed with initials by the employees who do the comparisons. Checklist could be scanned and retained with other daily documents.
2. The Traffic Office should implement a policy of two person counting of cash drawers when there is a change of hands. Each party should initial the amount, and documentation of the counts should be retained.
3. The Circuit and Probate Offices should retain documentation of transfer of custody controls with daily records.

GOVERNMENT AUDITING STANDARDS COMPLIANCE

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

METHODOLOGY

To accomplish our audit objectives, we performed the following steps:

- Interviewed key personnel within the Circuit Court Clerk offices.
- Evaluated internal controls currently in place.
- Reviewed sample selections to determine the effectiveness of internal controls.
- Considered risk of fraud, waste, and abuse.

AUDIT TEAM

Jessica Henderson, CFE, Staff Auditor

Mary Cole, CPA, CISA, CGFM, CFE, In-Charge Auditor

Lauren Riley, CPA, CIA, CFE, ACDA, CMFO, Metropolitan Auditor

APPENDIX A – MANAGEMENT RESPONSE AND ACTION PLAN

We believe that operational management is in a unique position to best understand their operations and may be able to identify more innovative and effective approaches, and we encourage them to do so when providing their response to our recommendations.

	Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
<i>Risk</i>	<i>Recommendations for the management of the Circuit Court Clerk to:</i>		
H	A.1 Implement a written procedure to regularly review access levels assigned to roles within the case management system. Ensure access has segregation of duties and is least permissions needed for the role.	Accept	9/1/2023
H	A.2 Implement a written procedure to regularly review employee access to determine if only active employees have access and employees have roles assigned appropriate for their job duties.	Accept	9/1/2023
M	B.1 Create and implement a controls checklist to be signed and dated by the individuals reviewing daily functions. Checklist should include a listing of comparisons and other controls that were performed with initials by the employees who do the comparisons. Checklist could be scanned and retained with other daily documents.	Accept	9/1/2023
M	B.2 The Traffic Office should implement a policy of two person counting of cash drawers when there is a change of hands. Each party should initial the amount, and documentation of the counts should be retained.	Accept	9/1/2023
M	B.3 The Circuit and Probate Offices should retain documentation of transfer of custody controls with daily records.	Accept	9/1/2023

APPENDIX B – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Observations identified during the audit are assigned a risk rating, as outlined in the table below. The risk rating is based on the financial, operational, compliance or reputational impact the issue identified has on the Metropolitan Nashville Government. Items deemed “Low Risk” will be considered “Emerging Issues” in the final report and do not require a management response and corrective action plan.

Rating	Financial	Internal Controls	Compliance	Public
HIGH	Large financial impact >\$25,000 Remiss in responsibilities of being a custodian of the public trust	Missing, or inadequate key internal controls	Noncompliance with applicable Federal, state, and local laws, or Metro Nashville Government policies	High probability for negative public trust perception
MEDIUM	Moderate financial impact \$25,000 to \$10,000	Partial controls Not adequate to identify noncompliance or misappropriation timely	Inconsistent compliance with Federal, state, and local laws, or Metro Nashville Government policies	The potential for negative public trust perception
LOW/ Emerging Issues	Low financial impact <\$10,000	Internal controls in place but not consistently efficient or effective Implementing / enhancing controls could prevent future problems	Generally complies with Federal, state, and local laws, or Metro Nashville Government policies, but some minor discrepancies exist	Low probability for negative public trust perception
Efficiency Opportunity	An efficiency opportunity is where controls are functioning as intended; however, a modification would make the process more efficient			