




Internal Controls

Justin Garcia
Contract Audit Review Specialist

Division of Local Government Audit


TENNESSEE COMPTROLLER OF THE TREASURY



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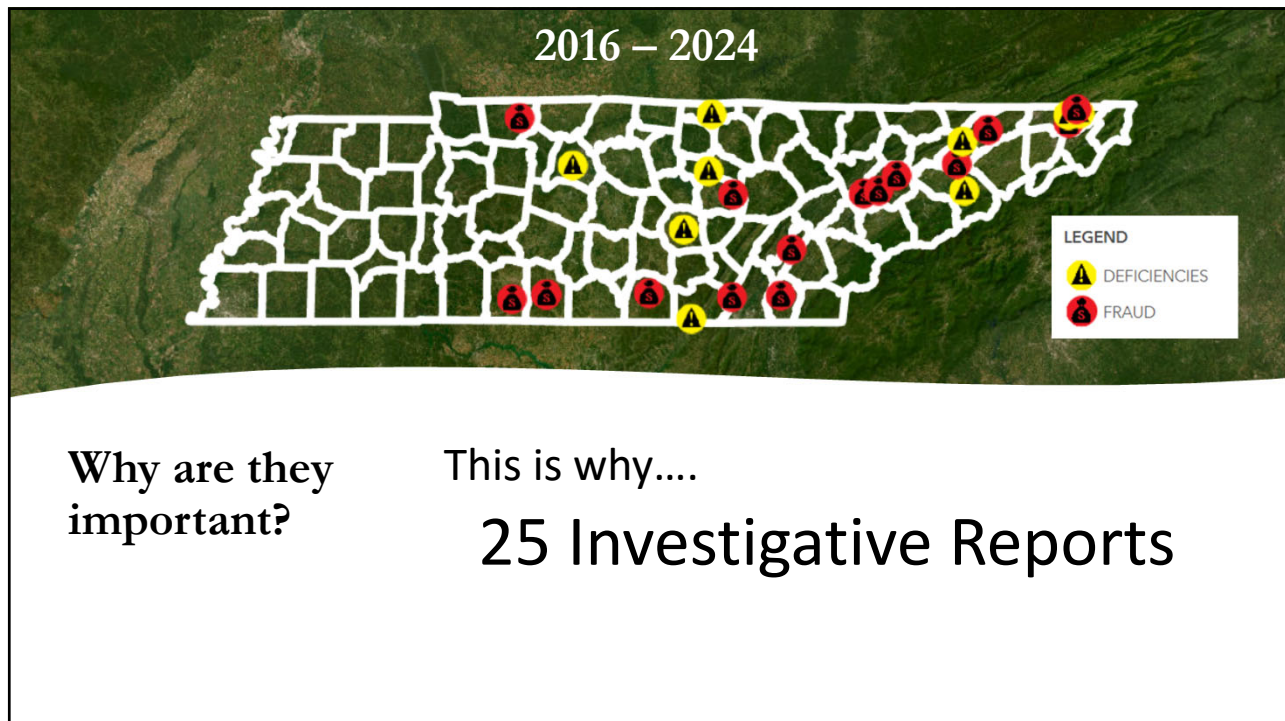
The opinions expressed during this presentation are my own. They do not necessarily represent the views of the Tennessee Comptroller of the Treasury, his representatives, or the Tennessee Division of Local Government Audit.

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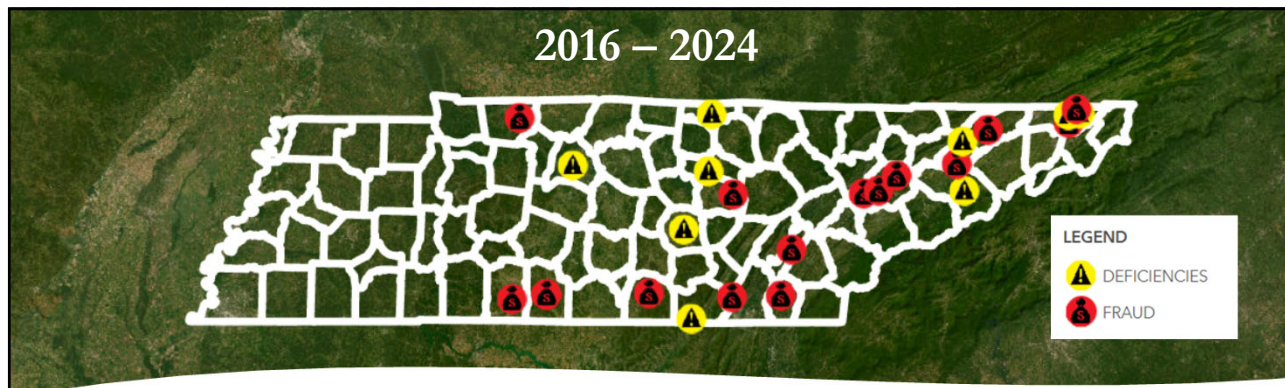




3



4



Why are they important?

This is why....

\$21,000,000

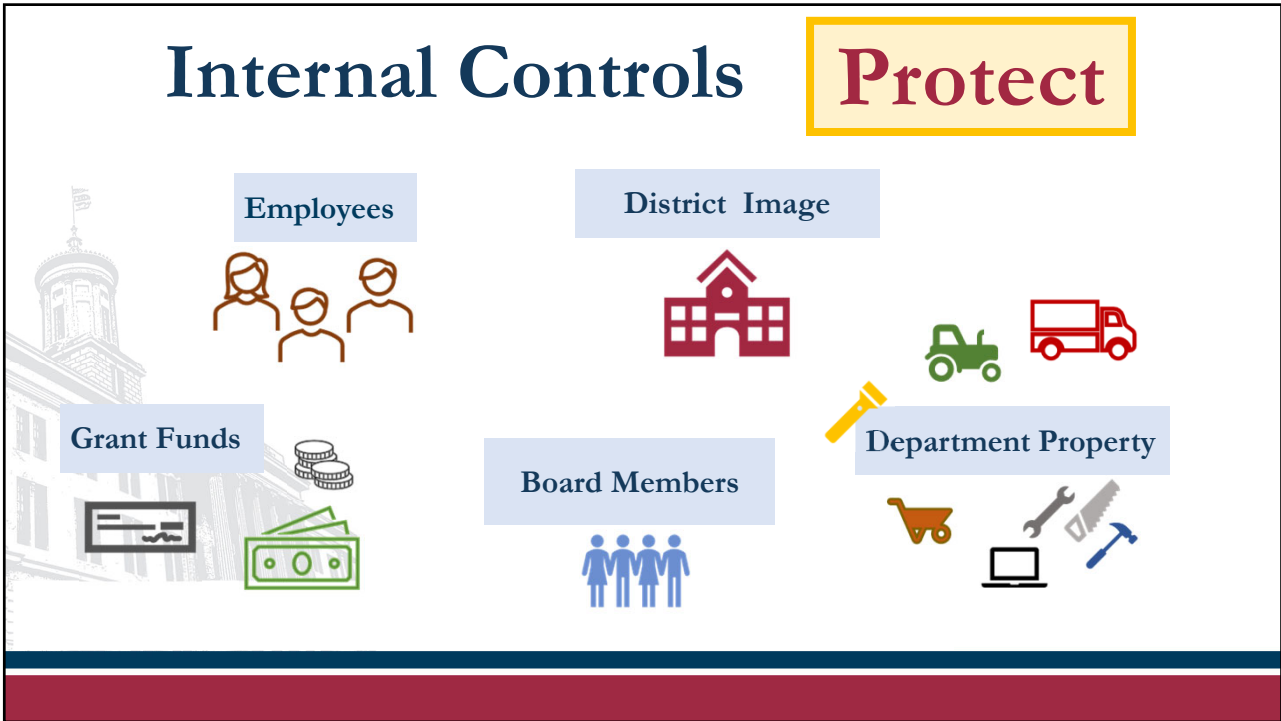
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6

Internal Controls

7



8



9

What are Internal Controls?

Internal control is a process, affected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance. Internal control is also integral to detecting fraud. An internal control system provides reasonable, though not absolute, assurance that an entity's objectives will be achieved.

The above definition is from Defining Tennessee Audit: A Glossary of Audit Terms. The glossary is issued by the Comptroller of the Treasury (tn.gov).

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10

What are Internal Controls?

In short, **internal controls** help ensure that your organization can achieve their objectives related to:

- Operations
- Reporting
- Compliance

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11

What are Internal Controls?

Five components of internal control –

1. Control Environment
2. Risk Assessment
3. Control Activities
4. Information and Communication
5. Monitoring

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12

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2. Risk Assessment
3. Control Activities
4. Information and Communication
5. Monitoring

13

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14

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15

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16

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17

Internal Control Activities



18

Internal Control Activities

Preventive Controls (before):

- Purchase Orders
- Safeguarding Assets
- Computer Passwords
- Computer and Service Backups

Detective Controls (after):

- Bank Reconciliations
- Physical Inventories
- Monitoring Expenditures against budget
- Internal/External Audit

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19



20



21



22

Why is this the #1 finding?

Anticipated Completion Date: At the current time, due to our size, we do not believe we can fully segregate these duties. We will continue to improve and strengthen our internal controls, but we cannot give a definite date.

Response: Due to the size of the District, it is not economically feasible to hire additional staff at this time

Action however, personnel to risk

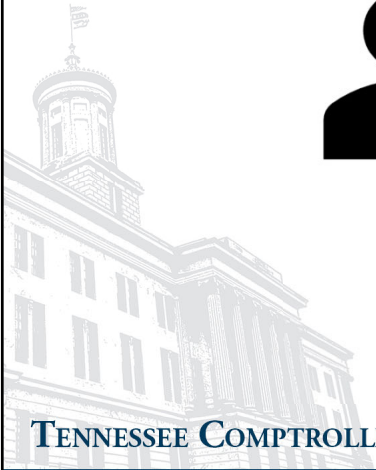
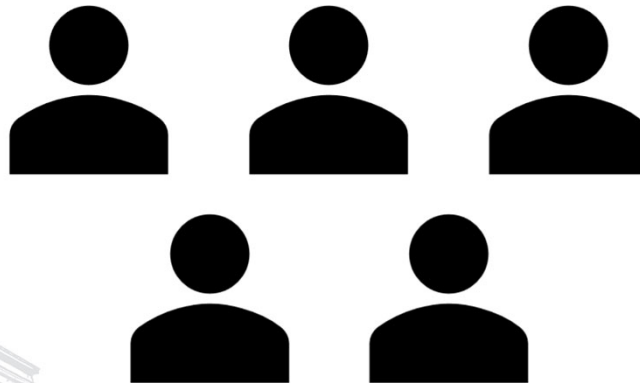
tions, so it is necessary to

employee to help segregate the duties. Management is aware of the situation and is making every effort to devise an arrangement to keep the duties as segregated as possible. in additional

Anticipated Completion Date: Not applicable. There is only one employee working in the department so it is impossible to segregate duties unless more staff is hired. The cost to hire the staff necessary to segregate duties is beyond the benefits derived at this time.

23

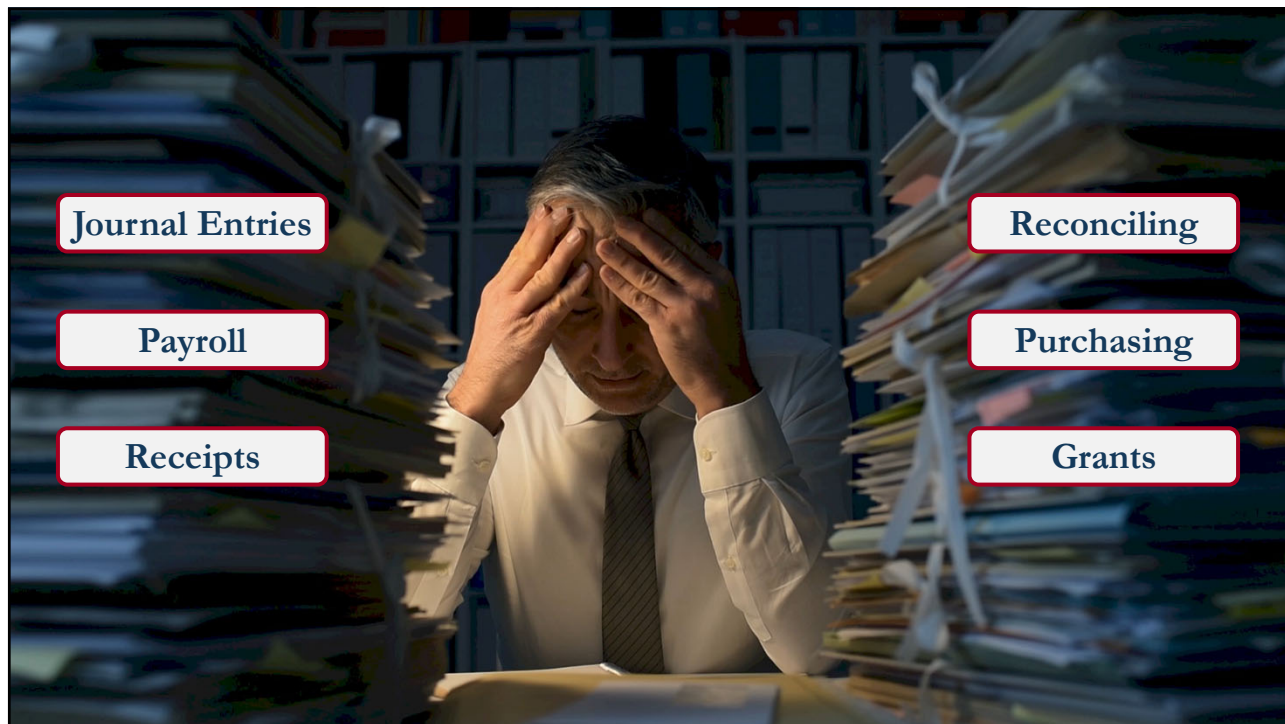
Segregation of Duties



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24



25



26

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The Tennessee Comptroller of the Treasury has a wide range of responsibilities to ensure fiscal integrity within the State of Tennessee. The Comptroller is essentially the state's Money Cop. We are committed to our mission to **Make Government Work Better.**

- Jason E. Mumpower, Comptroller of the Treasury

27

Internal Controls Checklists

	See Column Instructions Below			
	Prepare and Document the Journal Entry	Approve Journal Entries	Post Journal Entries to Accounting Records	Review Accounting Records for Proper Posting
	(1)	(2)	(3)	(4)
Two-Person Office:				
Official		X		X
Employee #1	X		X	
Three-Person Office:				
Official		X		XX
Employee #1	XX			X
Employee #2 - Bookkeeper	X		X	
Four-Person Office:				
Official		X		XX
Employee #1	XX			
Employee #2				X
Employee #3 - Bookkeeper	X		X	
Five-Person Office:				
Official		X		XX
Employee #1	XX			

28

Example: Journal Entries

Clerk and Master		See Column Instructions Below			
Internal Control Checklist		Entering Journal Entries and Transfers			
Journal Entries		Prepare and Document the Journal Entry (1)	Approve Journal Entries (2)	Post Journal Entries to Accounting Records (3)	Review Accounting Records for Proper Posting (4)
<i>Two-Person Office:</i>					
Official			X		X
Employee #1		X		X	

29

Example: Journal Entries

Clerk and Master		See Column Instructions Below			
Internal Control Checklist		Entering Journal Entries and Transfers			
Journal Entries		Prepare and Document the Journal Entry (1)	Approve Journal Entries (2)	Post Journal Entries to Accounting Records (3)	Review Accounting Records for Proper Posting (4)
<i>Two-Person Office:</i>					
Official			X		X
Employee #1		X		X	
<i>Three-Person Office:</i>					
Official			X		XX
Employee #1		XX			X
Employee #2 - Bookkeeper		X		X	

30

Clerk and Master Internal Control Checklist Journal Entries		See Column Instructions Below			
Entering Journal Entries and Transfers					
	Prepare and Document the Journal Entry (1)	Approve Journal Entries (2)	Post Journal Entries to Accounting Records (3)	Review Accounting Records for Proper Posting (4)	
<i>Two-Person Office:</i>					
Official		X			X
Employee #1	X		X		
<i>Three-Person Office:</i>					
Official		X			XX
Employee #1	XX				X
Employee #2 - Bookkeeper	X		X		
<i>Four-Person Office:</i>					
Official		X			XX
Employee #1	XX				
Employee #2					X
Employee #3 - Bookkeeper	X		X		

Example: Journal Entries

31

Clerk and Master Internal Control Checklist Journal Entries		See Column Instructions Below			
Entering Journal Entries and Transfers					
	Prepare and Document the Journal Entry (1)	Approve Journal Entries (2)	Post Journal Entries to Accounting Records (3)	Review Accounting Records for Proper Posting (4)	
<i>Two-Person Office:</i>					
Official		X			X
Employee #1	X		X		
<i>Three-Person Office:</i>					
Official		X			XX
Employee #1	XX				X
Employee #2 - Bookkeeper	X		X		
<i>Four-Person Office:</i>					
Official		X			XX
Employee #1	XX				
Employee #2					X
Employee #3 - Bookkeeper	X		X		

Example: Journal Entries

32

County Clerk
Internal Control Checklist
Issuing Non-Payroll Checks and Reconciling Bank Statements

See Column Instructions Below

	Issuing Checks			Monthly Bank Reconciliation		
	Non-Payroll Checks Write Checks (1)	Signature Authority Verify Amt. Sign and Mail Checks (2)	Post Checks to Accounting Records (3)	Receive, Open, and Review Bank Statements and Cancelled Checks (4)	Perform Bank Reconciliation (5)	Review Bank Reconciliation and Trace Reconciling Items and Balance to Acct. Records (6)
Two-Person Office:						
Official		XX		X		X
Employee #1	X	X	X		X	
Three-Person Office:						
Official		XX		XX		XX
Employee #1		X		X		X
Employee #2 - Bookkeeper	X		X		X	
Four-Person Office:						
Official		XX		XX		XX
Employee #1				X		X
Employee #2		X				
Employee #3 - Bookkeeper	X		X		X	

Example: Issuing Checks

33

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	Issuing Checks			Monthly Bank Reconciliation		
	Non-Payroll Checks Write Checks (1)	Signature Authority Verify Amt. Sign and Mail Checks (2)	Post Checks to Accounting Records (3)	Receive, Open, and Review Bank Statements and Cancelled Checks (4)	Perform Bank Reconciliation (5)	Review Bank Reconciliation and Trace Reconciling Items and Balance to Acct. Records (6)
Two-Person Office:						
Official		XX		X		X
Employee #1	X	X	X		X	
Three-Person Office:						
Official		XX		XX		XX
Employee #1		X		X		X
Employee #2 - Bookkeeper	X		X		X	
Four-Person Office:						
Official		XX		XX		XX
Employee #1				X		X
Employee #2		X				
Employee #3 - Bookkeeper	X		X		X	

Example: Issuing Checks

34

Example: Receipts

County Clerk Internal Control Checklist Receipts															
See Column Instructions Below															
Checks Received in the Mail				Daily Receiving and Depositing											
Open Mail, Stamp Checks for Deposit Only, and Make a List of Checks	Issue Receipts for Mail-in Checks	Maintain Separate Cash Drawers	Issue Receipts	Stamp All Checks for Deposit Only when Received	Issue Manual Receipts if Utilized	Post Receipts to Accounting Records	Verify that Mail-in, and Manual Receipts were Recorded	Count Cash	Check Out to Certain Amount of Cash	Deposit Intact	Verify Cash Check Out and Make Up Daily Deposit	Carry Deposit to Bank	Verify Deposit Slip with Check-out Sheets and Amt. Recorded	Examine Audit Log and Explain Each Entry	Determine that the Trial Balance is in Balance
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)		
<i>Two-Person Office:</i>															
Official	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
Employee #1	X		X	X	X		XX	X	X	X					
<i>Three-Person Office:</i>															
Official	X	X	X	X	X	X	X	X	X	X	X	X	X	XX	
Employee #1	X	X	X	X	X	X	X	X	X						
Employee #2 - Bookkeeper	X		X	X	X		XX	X	X	X	X	X	X	X	
<i>Four-Person Office:</i>															
Official	X	X	X	X	X	X	X	X	X	X	XX	X	XX	XX	
Employee #1	XX	X	XX	XX	XX	XX	X	XX	XX	X					
Employee #2	XX	X	XX	XX	XX	XX	X	XX	XX	X	X	X	X		
Employee #3 - Bookkeeper	X		X	X	X		XX	X	X	X	X	XX	X	X	

35

Example: Receipts

County Clerk Internal Control Checklist Receipts	
Checks Received in the Mail	
Open Mail, Stamp Checks for Deposit Only, and Make a List of Checks	Issue Receipts for Mail-in Checks
(1)	(2)
<i>Two-Person Office:</i>	
Official	X
Employee #1	X
<i>Three-Person Office:</i>	
Official	X
Employee #1	X
Employee #2 - Bookkeeper	X
<i>Four-Person Office:</i>	
Official	X
Employee #1	XX
Employee #2	XX
Employee #3 - Bookkeeper	X

36

Example: Receipts

County Clerk		Internal Control Checklist			
Receipts		See Column			
	Maintain Separate Cash Drawers (3)	** Issue Receipts (4)	Stamp All Checks for Deposit Only when Received (5)	Issue Manual Receipts if Utilized (6)	
<i>Two-Person Office:</i>					
Official	X	X	X	X	
Employee #1	X	X	X		
<i>Three-Person Office:</i>					
Official	X	X	X	X	
Employee #1	X	X	X	X	
Employee #2 - Bookkeeper					
<i>Four-Person Office:</i>					
Official	X	X	X	X	
Employee #1	X	XX	XX	XX	
Employee #2	X	XX	XX	XX	
Employee #3 - Bookkeeper					

37

Example: Receipts

County Clerk		Internal Control Checklist			
Receipts		See Instructions Below			
	Post Receipts to Accounting Records (7)	Verify that Mail-in, and Manual Receipts were Recorded (8)	Count Cash Check Out to Certain Amount of Cash (9)	Deposit Intact Verify Cash and Make Up Daily Deposit (10)	
<i>Two-Person Office:</i>					
Official	X		X		
Employee #1	XX	X	X	X	
<i>Three-Person Office:</i>					
Official	X		X		
Employee #1	X		X		
Employee #2 - Bookkeeper	XX	X		X	
<i>Four-Person Office:</i>					
Official	X		X		
Employee #1	X		XX		
Employee #2	X		XX	XX	
Employee #3 - Bookkeeper	XX	X		X	

38

Example: Receipts

County Clerk Internal Control Checklist Receipts				
	Carry Deposit to Bank (11)	Verify Deposit Slip with Check-out Sheets and Amt. Recorded (12)	Examine Audit Log and Explain Each Entry (13)	Determine that the Trial Balance is in Balance (14)
Two-Person Office:				
Official	X	X	X	X
Employee #1				
Three-Person Office:				
Official	X		X	XX
Employee #1				
Employee #2 - Bookkeeper		X	X	X
Four-Person Office:				
Official	XX		XX	XX
Employee #1	X			
Employee #2		X		
Employee #3 - Bookkeeper		XX	X	X

39

County Clerk Internal Control Checklist Receipts														
See Column Instructions Below														
	Checks Received in the Mail				Daily Receipting and Depositing									
	Open Mail, Stamp Checks for Deposit Only, and Make a List of Checks (1)	Issue Receipts for Mail-in Checks (2)	Maintain Separate Cash Drawers (3)	Issue Receipts (4)	Stamp All Checks for Deposit Only when Received (5)	Issue Manual Receipts if Utilized (6)	Post Receipts to Accounting Records (7)	Verify that Mail-in, and Manual Receipts were Recorded (8)	Count Cash (9)	Deposit Intact (10)	Verify Cash Check Out and Make Up Daily Deposit (11)	Carry Deposit to Bank (12)	Verify Deposit Slip with Check-out Sheets and Amt. Recorded (13)	Examine Audit Log and Explain Each Entry (14)
Two-Person Office:														
Official		X	X	X	X	X	X	X	X	X	X	X	X	X
Employee #1	X		X	X	X	X	XX	X	X	X				
Three-Person Office:														
Official		X	X	X	X	X	X	X	X		X		X	XX
Employee #1		X	X	X	X	X	X	X	X					
Employee #2 - Bookkeeper	X		X	X	X	X	XX	X	X	X		X	X	X
Four-Person Office:														
Official		X	X	X	X	X	X	X	X		XX		XX	XX
Employee #1		XX	X	XX	XX	XX	X	X	XX	X				
Employee #2	XX		X	XX	XX	XX	X	X	XX	XX		X		
Employee #3 - Bookkeeper	X		X	X	X	X	XX	X	X	X		XX	X	X

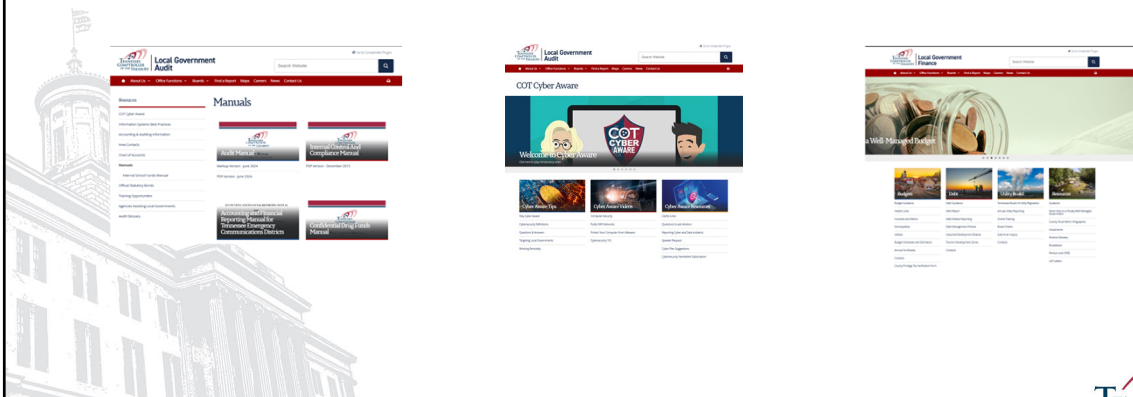
40

Want to learn more?



50

Want to learn more?



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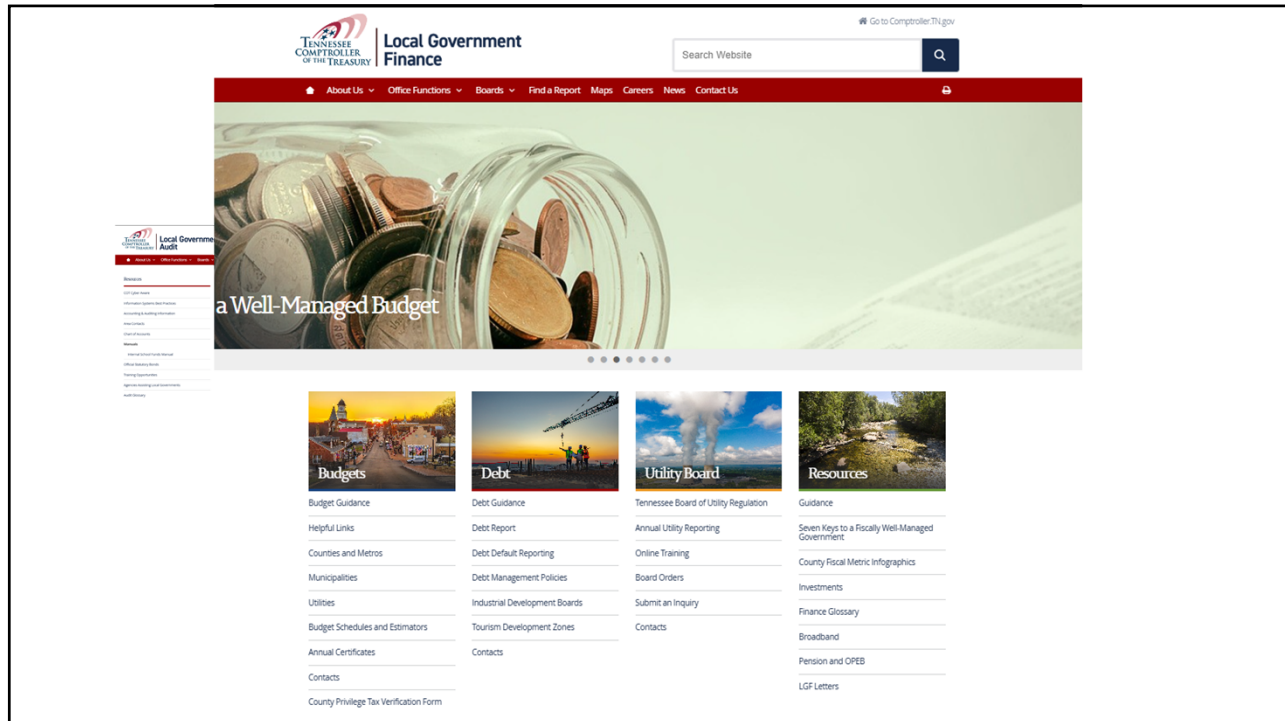
51

The screenshot shows the 'Manuals' section of the Tennessee Comptroller of the Treasury Local Government Audit website. The page features a navigation menu with options like 'About Us', 'Office Functions', 'Boards', 'Find a Report', 'Maps', 'Careers', 'News', and 'Contact Us'. A search bar is located at the top right. The main content area is titled 'Manuals' and includes a 'Resources' sidebar on the left with links to 'COT Cyber Aware', 'Information Systems Best Practices', 'Accounting & Auditing Information', 'Area Contacts', 'Chart of Accounts', and 'Manuals'. The 'Manuals' section lists four documents: 'Audit Manual' (Markup Version - June 2024, PDF Version - June 2024), 'Internal Control And Compliance Manual' (PDF Version - December 2015), 'Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts', and 'Confidential Drug Funds Manual'.

52

The screenshot shows the 'COT Cyber Aware' section of the Tennessee Comptroller of the Treasury Local Government Audit website. The page features a navigation menu and a search bar. The main content area is titled 'COT Cyber Aware' and includes a large banner with the text 'Welcome to Cyber Aware' and 'Click here to play introductory video'. Below the banner are three columns of content: 'Cyber Aware Tips' (Stay Cyber Aware, Cybersecurity Definitions, Questions & Answers, Targeting Local Governments, Working Remotely), 'Cyber Aware Videos' (Computer Security, Public Wifi Networks, Protect Your Computer From Malware, Cybersecurity 101), and 'Cyber Aware Resources' (Useful Links, Questions to ask Vendors, Reporting Cyber and Data Incidents, Speaker Request, Cyber Plan Suggestions, Cybersecurity Newsletter Subscription).

53



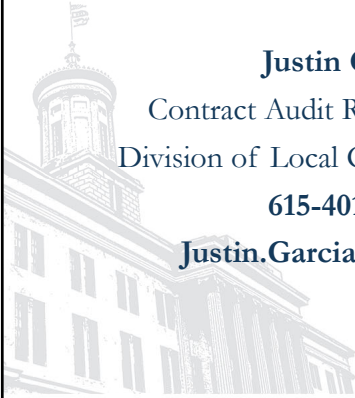
54

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55

Contact Information



Justin Garcia

Contract Audit Review Specialist
Division of Local Government Audit
615-401-7810
Justin.Garcia@cot.tn.gov

General Contact Information

Local Government Audit
615-615-7841
LGA.web@cot.tn.gov

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