

**FREDERICK COUNTY
INTERAGENCY INTERNAL AUDIT AUTHORITY**

**REVIEW OF
CIRCUIT COURT JUROR CASH FUND PROCEDURES
AS OF JULY 27, 2006**



Review of Frederick Circuit Court Juror Cash Handling Procedures

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Frederick County
Internal Audit Department

Executive Summary

The Clerk of the Circuit Court requested that Frederick County Internal Audit review cash procedures currently used in processing juror fees. Approximately \$10,000 is maintained in a separate bank account to pay jurors. Payments are made in cash that is kept in a lockbox located in the Circuit Court safe. The cash is replenished through reimbursement checks issued by the County Accounting Department (Accounting). Activity is recorded in a log. Each entry is initialed by the clerk making the transaction and verified by another clerk who also initials the entry.

Objectives

- Determine that the Juror Fee Fund balance was present in cash or had been used for the authorized use of paying jurors and
- Determine if current procedures used to safeguard cash are adequate and documented.

Audit Results & Recommendations

- Proper procedures for handling cash are not documented. Written procedures should be developed to assure standardized processing especially in the event that other staff members not readily knowledgeable of the proper protocol need to make cash withdrawals for juror fees or replenish cash with reimbursement check proceeds. These procedures should incorporate standard cash procedures being developed by the County Treasurer's Office.
- The account is not reconciled to the bank statement. Based on the audited balance above, reconciliations should be performed monthly; a copy of which with the bank statement should be sent to Accounting.
- Two keys to the lockbox are stored together in the safe. Keys should be stored in a separate secure location known only to the Clerk of the Circuit. One key should be in the custody of only one employee authorized to access the lockbox. In the event that a backup custodian is needed, the Clerk of the Circuit Court should provide the backup custodian access to a key.
- No authorized balance for this fund was available from either the Circuit Court or Accounting. As previously mentioned, the Clerk of the Circuit Court believed the amount was \$10,000. Reconciliations of the bank account performed during fieldwork yielded a book balance of \$11,716.14. A documented authorized balance should be available from Accounting for any monies designated for a particular use.

Review of Frederick County Circuit Court Juror Cash Fund Procedures



Frederick County
Internal Audit Department

I. Introduction

The Clerk of the Circuit Court requested a review of procedures currently used for handling juror fees. Neither Frederick County Internal Audit nor any other oversight agency has previously reviewed this function; however, other functions within the Circuit Court are regularly audited by the State of Maryland Office of Legislative Audits or the Administrative Office of the Courts.

Internal Audit (IA) conducted its review using standards as outlined in *Generally Accepted Government Auditing Standards, 2003 Revision*, issued by the Government Accountability Office (GAO). These standards require IA to maintain competence, integrity, objectivity and independence. Other requirements are to adequately plan the audit and to gain a sufficient understanding of internal controls to determine the testing to be performed.

This report is intended to provide information to Circuit Court management. The report is a matter of public record, and with the exception of any applicable disclosure exemptions, distribution should not be limited. Information extracted from this report may also serve as a method to disseminate information to the public as a reporting tool to help citizens assess government operations. Management that is responsible for the functional area reviews the report and their formal written responses are incorporated into the final report per IIAA policy and *Generally Accepted Government Auditing Standards* (GAO Standard 5.27).

II. Background

To pay standing juries, \$3,000-\$5,000 in cash is available from a Juror Fee Fund maintained in the Circuit Court main administrative office. This is an imprest fund maintained in a separate bank account. The Clerk of the Circuit Court indicated that the fund balance was approximately \$10,000, although documentation of an authorized amount was unavailable. The juror count for any given day is determined at the end of the previous day when jurors are selected from the juror pool. Based on that count, the amount of cash needed to pay jurors for the day is calculated. Each morning, the Juror Clerk takes the cash needed from the cash lockbox located within the office safe accessible during business hours. Three keys provide access to the lockbox: the Clerk of the Circuit Court keeps one copy and the other two keys are kept in the safe next to the lockbox. The Juror Clerk takes this cash to the Jury Assembly Room for disbursement as fees to the jury pool for that day. As the jurors sign in they are paid their fee for that day. Any funds not disbursed are stored in a locked desk within the Juror Clerk's locked office area separate from the jurors in the Jury Assembly Room. The Juror Clerk returns any funds not disbursed to the safe in the main office later that same day. No cash is kept in the Jury Assembly Room overnight. All withdrawals and deposits of cash are maintained on a running

cash log that indicates the amount of money taken out by the Juror Clerk and how much has been put into the fund from cashed reimbursement checks. Staff members separate from the Juror Clerks handle replenishing the fund with proceeds from reimbursement checks cashed at the bank located across the street from the courthouse.¹ Any activity with the funds is initialed and dated by both the clerk depositing or withdrawing cash and another clerk.

In addition, three to four cash bags are maintained for incidental expenses such as soda money for jurors in deliberation (\$20) and parking fees for juries leaving late (\$15/ea.). These bags are stored in a locked file cabinet in the Circuit Court Office computer room. This room is not locked during regular business hours in order that court staff has ready access to the bags during office hours. The door to the computer room is marked “Keep Door Closed” and is in full view of most of the Circuit Court administrative staff that indirectly provides monitoring of entry to the room. After hours the door is locked and only authorized jury staff has access. A sign-out sheet referencing a case number and judge’s name is maintained to indicate who removed a bag.

III. Scope and Objectives

The scope of this review was current procedures used by the Circuit Court in safeguarding Juror Fee Fund cash.

The objectives of this review were to determine:

- that the Juror Fee Fund balance was present in cash or had been used for the authorized use of paying jurors and
- if current procedures used to safeguard cash are adequate and documented.

IV. Methodology

Methods used in determining if cash procedures were adequate were:

1. Discussions with the Clerk of the Circuit Court and the Juror Clerk;
2. Reviewing procedures used through observation and documentation;

¹ One person takes the checks to the bank. Because the bank is located across the street from the courthouse, the risk of robbery en route from the bank to the office is minimal due to the constant presence of law enforcement personnel in the vicinity either from Sheriff's Office personnel assigned to courthouse duty, the Frederick City Police Station adjacent to the courthouse on that side, and the traffic of various other law enforcement officers with business at the courthouse.

3. Verification of fund balance: cash-on-hand recorded in the cash log through cash count and reconciling documents such as unprocessed juror fee sheets, reimbursement vouchers generated in PeopleSoft Financials and undeposited reimbursement check received from Accounting; and,
4. Reconciling current fund balance to bank statement.

V. Conclusion

Overall, procedures currently used by the Circuit Court for safeguarding Juror Fee Fund cash need improvement. The Findings and Recommendations section of the report includes several recommendations to enhance security and accountability over cash handling procedures.

A documented authorized fund balance was not available from the Circuit Court. Upon further investigation, it was determined that Accounting also had no documentation of an authorized balance. In addition, Accounting was unaware of the checking account being maintained by the Circuit Court (see VI. Findings and Recommendations).

VI. Findings and Recommendations

Finding 1

Proper procedures for handling cash are not documented. The lack of written procedures increases the risk to cash through errors or fraud.

Recommendation

Written procedures should be developed to assure standardized processing especially in the event that other staff members not readily knowledgeable of the proper protocol are needed to make cash withdrawals for juror fees or replenish cash with reimbursement check proceeds. These procedures should incorporate standard cash procedures being developed by the County Treasurer's Office.

Finding 2

The fund balance is not reconciled to the bank statement. This is due in part to the lack of written procedures.

Recommendation

Reconciliations provide a key control for cash and allow for timely investigation of any differences uncovered. Therefore, the fund should be reconciled monthly to the bank statement. A copy of monthly reconciliations along with a copy of the bank statement should be sent to Accounting. These procedures should be included in any written procedures.

Finding 3

Multiple copies of access keys are accessible to office staff.

Juror fee cash is stored a separate lockbox in the Circuit Court safe. The safe is located in a central area of the main administrative office. The safe and lockbox are accessible to office staff and potentially to others in this location. Storing two access keys to the lockbox together provides no apparent efficiency and increases the risk of compromising security.

Recommendation

The keys should be removed from the safe and stored in a separate secure area known only to the Clerk of the Circuit Court. Only one designated employee should have a key to access the lockbox. In the event that a backup custodian is needed, the Clerk of the Circuit Court should provide the backup custodian access to a key.

Finding 4

An authorized fund balance was not available from either the Circuit Court or Accounting. Moreover, Accounting was not aware of the checking account that is being used to maintain the Juror Fee Fund. Reconciliations to the bank statement performed during fieldwork yielded a fund balance of \$11,716.14. If \$10,000 was the beginning balance, the overage is possibly attributable to the accumulation over time of jurors who did not accept their fees.

Recommendation

A documented authorized balance should be available for any monies designated for a particular use. Accounting should review all peripheral accounts associated with County functions especially when reimbursements to such is made with County funds. Additionally, these accounts should be monitored on a regular basis.

VI. Response

We wish to thank the Clerk of the Circuit Office and her staff for the help and cooperation we received. Their response is attached.

July 27, 2006

Interagency Internal Audit Authority
Interagency Internal Audit Authority

Clerk of the Circuit Court
Frederick County
100 West Patrick Street
Frederick, Maryland 21701
301-694-1976

SANDRA K. DALTON
CLERK



Mary Alice Shankle
Chief Deputy

Lynda Byrd
Judicial Manager

October 6, 2006

Mr. Martin Standel
Director of Internal Auditing
Frederick County Government

Dear Mr. Standel:

We are in receipt of the Frederick County Internal Audit draft report that was requested by the Clerk of the Circuit Court for the Juror Cash Fund. Outlined below are our responses to the exceptions noted in the report.

Finding 1: Proper Procedures for Handling Cash

We will work with the County Treasurer's Office to develop and incorporate written cash procedures to assure standardized processing.

Finding 2: Fund Balance Reconciliation

The jury fund checking account is reconciled on a monthly basis. We will now incorporate the use of the Account Reconciliation Form provided to us by the Internal Audit Department referencing:

- the balance per the bank statement;
- daily juror sheets to be submitted to Accounting;
- reimbursement funds in process;
- reimbursement check to be cashed/deposited;
- juror bags;
- soda bag; and
- cash on hand.

Finding 3: Copies of Keys

The keys to the jury portion of the safe will be removed from the safe. One will be assigned to the jury clerk, one will be retained by the Clerk of the Circuit Court, and one will be kept in a secure location other than the safe known only by the Clerk and Chief Deputy of the Circuit Court.

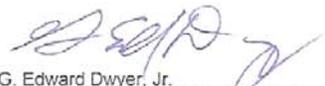
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Finding 4: Monitoring and Auditing of the Jury Funds

With no clear ability to know the beginning balance of the jury fund, the audit review at this time has determined that the fund balance is \$11,716.14. We will use this amount to balance the juror cash funds. We would welcome monitoring and auditing of this account on a regular basis.

We believe this responds in full to the exceptions noted in the audit review.

Yours truly,


G. Edward Dwyer, Jr.
Administrative Judge of the Circuit Court


Sandra K. Dalton
Clerk of the Circuit Court