

## Audit Committee

June 9, 2011

5:00pm

The Audit Committee met on Thursday June 9, 2011 at 5:00pm in the Mayor's Conference Room of the Carter County Courthouse. Members present were Dave Wortman, Margaret Moses and Margaret Pate.

Guest included Mayor Leon Humphrey, Trustee Randal Lewis, Leisa Wright, Johnny Blankenship, Jamie Carpenter, Brandon Kane, Juanita Miller and Debbie Street.

Chairman Dave Wortman called the meeting to order and welcomed everyone present. Motion to approve Minutes from the April 21, 2011 meeting was made by Margaret Pate and second by Margaret Moses, all ayes motion duly carried.

Randal Lewis updated the committee with the approval of the Batch Reconciliation Report form by the State Auditor. The form will record the date, number and check amount by the Finance Department. Upon completion of each batch report the form will be sent to the Trustee's Office for approval before any checks are issued. Wortman stated if this is a finding on the audit for fiscal year ending June 30, 2011; it will be an opportunity to address the issue and explain that a new procedure has been tested and in place. Margaret Moses stated the finding would be repeated and noted on the report that the new process has been implemented. Leisa Wright stated that Hawkins County was using a similar form and that the main objective was for the Trustee's Office to approve the funds before they go out. Mayor Humphrey acknowledged it would be beneficial if we had something in writing from the State Auditor approving the process and in agreement with it, Mr. Lewis stated he would request a statement from the Auditor. The Finance Department and the Trustee's Office will initiate the batch approval process beginning July 1, 2011. Wortman emphasized the importance of standard operating procedures be written and kept in the Trustee's Office for future use. If the procedure is not formalized the office could slip back to being out of compliance again.

Johnny Blankenship updated the committee as to the progress made by Blackburn, Childers and Stegal, CPA. Adjustments have been made to the **Circuit Court** general ledger account by the CPA firm, (attachments-April and May Reports before and after adjustments). There were still some issues from years ago that cannot be located. Blankenship also stated the CPA has requested moving funds from one account to another; however the corrections will not show up on the report until the end of the month. The CPA is still questioning some of the errors and has actually contacted the Auditor before making more adjustments. Jamie Carpenter pointed out that the CPA had made adjustments to the Circuit Court Bank Reconciliations for April; May is showing the account as balanced. The **Sessions Court** Bank Reconciliation and general ledger are now being corrected.

Wortman stated that while the CPA has corrected a lot of the issues, his concern was when most of the errors were cleaned up, what is going to happen in a year or two and we are back in the same position again. He was concerned that structurally the way the work is being processed something is not working correctly. Ms. Carpenter stated that once the corrections are made, if something comes up it will be easier

to find the error because you will not be looking years back. Wortman ask Margaret Moses (from an auditor's stand point) when the CPA gets to a point they cannot finalize, would the State Auditor allow the CPA to zero the account out. Wortman further acknowledged that some of the mistakes are from years back and may never be cleared up. Moses stated that if the balances are really old, worksheets may be submitted to the state as unclaimed funds.

Carpenter stated that Prepayments are monies taken for cash bond, court cost and other charges that cannot be paid out until a later date. The account should equal the beginning and ending balance each month and should balance out. Blankenship stated that amounts in the prepayment account will never be zeroed out, because of holding for pending bonds and so forth, some other accounts will always have a balance as well. Carpenter stated the office uses a Trial Balance with each account which provides a list to go back to each month and review what makes up the balance. Blankenship stated the CPA firm will probably work at least another month. Mayor Humphrey ask if the office had a policy in place for making corrections and preventing reoccurrences. Carpenter stated depending on the error, it could be a receipting error, bookkeeping error, or other mistake.

The department does not have written operating procedures, Wortman suggested the Clerk might want to think about considering the creation of written office procedures to follow when you have items out of balance. Margaret Moses added delegating who is responsible and who verifies, you want the people involved for internal controls so that you don't have the same person taking in the money keeping the books and have other people involved with the process. Wortman expressed his concern that written policies need to be put in place so as turn over occurs you will have continuity on how the office is suppose to operate. Moses declared that dedicated time should be set aside at the end of the month to reconcile and so forth.

Blankenship reminded the committee the office will be going to the ICON Software Corporation beginning July 1, 2011. The new system should eliminate a lot of the outdated procedures they are doing now. Attorneys will be able to look up copies of warrants, date served, court dates and so forth online, the system will reduce a lot of the phone calls so more time can be focused on issues involved with the daily office procedures. The Comptroller's Office will review the new system; they will not give approval until after it is in place. Wortman suggested obtaining a letter from the CPA firm to be presented to the State Auditor as to the errors that cannot be reconciled with a recommendation the accounts be adjusted. Wortman announced the committee would like to get back with the office once Blackburn, Childers and Stegal were finished.

After resolutions from the Trustee and Circuit Court Clerk's Offices are received the committee will make recommendations based on their progress.

Motion to adjourn was made by Chairman Wortman, second by Margaret Moses, motion duly carried.

Respectively submitted,

Debbie Street  
Recording Secretary