

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF TEXAS

INTERNAL FINANCIAL CONTROL PROCEDURES

AMENDED JUNE 11, 1985

I.	INTRODUCTION	Page 1
II.	DESIGNATION OF FINANCIAL CLERKS.....	Page 1
III.	INTERNAL REVIEW.....	Page 2
IV.	DEFICIENCY PROCEDURE.....	Page 3
V.	CONTROL OF RECEIPTS.....	Page 3
VI.	DEPOSITS.....	Page 7
VII.	REPORTING RESPONSIBILITIES.....	Page 7
VIII.	TRIAL BALANCE/RECONCILIATION PROCEDURE.....	Page 8
IX.	DISBURSEMENT VOUCHERS.....	Page 12
X.	LIBRARY FUND.....	Page 12
XI.	INTEREST BEARING ACCOUNTS.....	Page 12
XII.	SECURITY.....	Page 12
XIII.	PAYROLL.....	Page 14

INTERNAL FINANCIAL CONTROL PROCEDURES

I. INTRODUCTION

The purpose of this memorandum is to effectuate and maintain adequate and efficient procedures which will ensure:

- A. that independent accountability is established for all monies collected by and through this office;
- B. that all deposits are made in a proper and expeditious manner;
- C. that all monies and other such properties deposited with this office as evidence or collateral shall remain secure from possible loss or theft; and
- D. that in each divisional office the Deputy-in-Charge shall be responsible for the implementation of the following internal procedures.

II. DESIGNATION OF FINANCIAL CLERKS

To meet the numerous and ever-increasing fiscal responsibilities of this office, the Clerk shall designate in writing a deputy clerk who will serve in the capacity of supervising financial clerk for the entire district. The supervising financial clerk shall be responsible for all registry and deposit fund accounts maintained in each divisional office of this court. The supervising financial clerk for the district shall also serve as financial deputy for the Tyler division.

In each of the divisional offices, the Clerk shall designate a deputy clerk who will be assigned financial deputy/cashier responsibilities.

In divisional offices consisting of two deputy clerks, the Clerk shall further designate an assistant cashier. The assistant cashier shall serve in this capacity only in the absence of the financial deputy/cashier.

III. INTERNAL REVIEW

The Clerk or Chief Deputy will review the internal procedures as practiced in each divisional office a minimum of once a year, quarterly if possible, to ascertain if the established procedures are being properly followed and to determine if any deficiencies in those procedures exist. Neither the Deputy-in-Charge nor the financial clerk will receive prior notice of any review. In accomplishing this review, the Clerk or Chief Deputy will initially perform a cash count which will be followed by a reconciliation. At the conclusion of the review, the Deputy-in-Charge of the division and the financial supervisor will be fully apprised of the results of the review and will be provided a written report; a copy will be furnished to the Chief Judge. These periodic reports for divisional offices will be maintained in the headquarters division and each will specify the manner in which the review was conducted, the results determined, and the remedial action, if any, that may have been prompted.

IV. DEFICIENCY PROCEDURE

In the event the supervising financial clerk, the divisional financial clerk/cashier or assistant cashier discovers a deficiency in any procedure, or that established procedures are not being adhered to, that person shall promptly advise the Clerk or Chief Deputy. The Clerk or Chief Deputy will perform an immediate review to determine if a problem does in fact exist. If a deficiency is found, the internal control procedures will be revised to correct the problem. The Accounting Branch of the Administrative Office will be notified of the deficiency, if any, and of the action undertaken by the Clerk. After the correction of a deficiency or a determination that established internal control procedures had not been adhered to, the Clerk or Chief Deputy will perform another review of the divisional office within a six-month period of time rather than the normal one-year review. The control procedure will be monitored on an ongoing basis by the supervising financial deputy in Tyler.

V. CONTROL OF RECEIPTS

- A. Receipt machines, where still in use, shall be located in an area of high visibility to financial deputies and customers.
- B. All receipted funds, be they in the form of cash, checks, or money orders, shall be secure at all times.

Under no circumstances shall receipts be left unattended at any deputy clerk's desk or placed in an unlocked desk drawer, box, or other such receptacle. All receipted funds shall be accompanied by a completed AO Form 82 and shall be legibly signed by the cashier. Original receipts are given to payor. The duplicate copies are used as supporting documentation for posting to Cash Receipts Journal and various subsidiary ledger sheets. Receipts must be prepared in numerical sequence. In the event a receipt number is missing or not used, an explanation shall be noted in the Cash Receipts Journal and duly initialed by the supervising financial deputy. A cash receipt form must be completed and verified before beginning the next transaction.

- C. The cashier shall use the following procedure when any cash, checks, or money orders are received by the Clerk's office as payment of a fine or restitution, either through the mail or over the counter. Before money is accepted and a receipt written for fines and restitutions, the cashier must first pull the appropriate case file to verify case number and then determine if payment is for a fine or restitution. If payment is determined to be for a fine, the cashier or assistant cashier must further determine the type of offense for which the defendant was convicted in order that the receipt can be properly coded for account number.

- D. Any cash money which has been collected internally by employees of a U. S. Magistrate or other government agency for processing through this office shall be delivered to the cashier. An adding machine tape reflecting the total amount of the transaction will accompany the receipt before the cashier is authorized to accept it. The cashier will then verify the amount received by running a separate adding machine tape. The agency employee delivering the receipts must remain with the cashier until the sums are verified and a receipt is prepared by the cashier. Any discrepancy in the amounts reported shall be corrected immediately in the presence of the agency employee.
- E. Each cashier will be provided a cash box for individual collection, safekeeping, and end-of-day accounting.
- F. Any cash receipt in excess of five hundred dollars (\$500.00) shall require a second deputy clerk to verify the amount.
1. CASHIERS WILL NOT:
- (a) accept foreign currency unless so directed by court order;
 - (b) accept checks other than for the exact amount;
 - (c) accept checks made out to the Clerk personally (They must designate "Clerk, U.S. District Court.);

- (d) accept a third-party check endorsed to the Clerk, U. S. District Court;
- (e) cash checks for court employees;
- (f) make change for court employees;
- (g) make "advances" or "loans" or any other payments to court personnel from any government funds;
- (h) use receipts to pay bills;
- (i) intermingle receipts with any type of funds, including personal funds;
- (j) maintain an accounts receivable book for copy fees or other such services which require a prepaid fee.

2. CASHIERS WILL:

- (a) count all cash receipts at least twice at the counter to ensure an accurate count;
- (b) take adequate time in receiving, counting, and writing the receipt to ensure accuracy;
- (c) write all receipts clearly and legibly, being certain to sign each receipt;
- (d) properly secure all receipts after processing in accordance with these procedures;
- (e) reconcile monies received to the issued receipts at the close of business each day;
- (f) endorse all checks and money orders each day;
and
- (g) secure receipt machine, where still in use, at close of day.

3. MAILING RECEIPTS

Receipts should be mailed at least 2 times a week or daily if receipts run over \$1,000.00. They should be sent certified mail unless over \$100,000.00 in which case they should be sent registered to Headquarters Office.

VI. DEPOSITS

Receipts will be deposited a minimum of three times per week, on Monday, Wednesday, and Friday by the Financial Clerk of Assistant Financial Clerk. If the receipts for any one day exceed \$1,000.00 and that day falls on a Tuesday or Thursday, or if the last day of the month falls on a Tuesday or Thursday, then those receipts must be deposited the next day. In those divisional offices where the services of a U. S. Marshal are available, a deputy marshall shall, upon request, accompany the Financial Clerk or Assistant Financial Clerk to the bank when making the deposit. When the Financial Clerk or Assistant Financial Clerk returns from making the deposit, she and another deputy will compare the Deposit Ticket to the Cash Receipts Journal for accuracy.

VII. REPORTING RESPONSIBILITIES

In addition to the normal monthly financial reporting requirements, each divisional office will provide the supervising financial clerk with the following information at the end of the month:

A photocopy of each receipt written during the course of that month (The financial clerk/cashier will be responsible for verifying that all receipt numbers are accounted for).

VI. DEPOSITS

Receipts will be deposited a minimum of three times per week, on Monday, Wednesday, and Friday by the Financial Clerk or Assistant Financial Clerk. If the receipts for any one day exceed \$1,000.00 and that day falls on a Tuesday or Thursday, or if the last day of the month falls on a Tuesday or Thursday, then those receipts must be deposited the next day. In those divisional offices where the services of a U. S. Marshal are available, a deputy marshall shall, upon request, accompany the Financial Clerk or Assistant Financial Clerk to the bank when making the deposit. When the Financial Clerk or Assistant Financial Clerk returns from making the deposit, she and another deputy will compare the Deposit Ticket to the Cash Receipts Journal for accuracy.

VII. REPORTING RESPONSIBILITIES

In addition to the normal monthly financial reporting requirements, each divisional office will provide the supervising financial clerk with the following information at the end of the month:

A photocopy of each receipt written during the course of that month (The financial clerk/cashier will be responsible for verifying that all receipt numbers are accounted for).

VIII. TRIAL BALANCE/RECONCILIATION PROCEDURE

The Registry Fund and the Deposit Fund will be reconciled at the end of each month by the Headquarters offices. The Trial Balance for each month should be attained by following these procedures:

A. Registry Fund Ledger:

The financial supervisor shall prepare a quarterly listing, by case number and corresponding balance, of pending registry funds. An adding machine tape reflecting totals will be done monthly.

B. Deposit Fund Ledger:

The financial supervisor shall prepare a quarterly listing, by case number and corresponding balance, of pending deposit funds. An adding machine tape reflecting totals will be done monthly.

C. Treasury Control Book:

The financial supervisor shall prepare adding machine tapes to ascertain what the ending balance is for the Treasury Control. If the ending balances agree with the tapes previously run for the Registry Fund and the Deposit Fund, the trial balance is complete. If there is a difference in the totals, the error must be located and the accounts reconciled. When an error is discovered and the correction results in the figures balancing, the trial balance is completed.

The following are suggested procedures for locating possible errors:

1. The financial supervisor should rerun adding machine tapes of the balances in the Treasury Control Book. Occasionally, a receipt or disbursement is not picked up when taping the balance on a daily basis.
2. Rerun an adding machine tape of the Registry Fund Trial Balance verifying the accuracy of the first tape.
3. Rerun an adding machine tape of the Deposit Fund Trial Balance verifying the accuracy of the first tape.
4. Check postings of disbursement vouchers. Compare disbursement vouchers to the actual postings in the disbursed column of the Treasury Control, then to the Financial Docket Ledger sheet. Place a check mark by each posting entry. If there are any items in the disbursed column which do not have a check mark by them when the comparison is completed, determine why the amount was not posted.
5. Run a tape both on the disbursement vouchers for the month as well as the figures appearing in the disbursed column of the Treasury Control. The totals should agree. If there was an error in posting to the disbursed column of the Treasury Control, an adjusting entry will have to be entered at the end of the month. If a failure to post an

entry to the Financial Docket Ledger is discovered, this may be corrected by simply posting the entry. Bear in mind, any correction will affect the total of the Trial Balance which had been previously determined. Therefore, the Trial Balance should be rerun after any correction is believed to have rectified the problem.

6. Check postings of receipts. Always check for accuracy of postings. Transposing numbers is a very common error in accounting. To check the posting of receipts, the financial supervisor should:
 - (a) Compare each receipt to the posting in the Cash Receipts Journal--then to the Treasury Control--then to the Financial Docket Ledger sheet.
 - (b) Place a check mark by each posting entry. If there are any items in the received column which do not have a check mark by them when you are finished, determine why the amount was posted.
 - (c) Rerun an adding machine tape on the Cash Receipts Journal and on the received column of the Treasury Control. These totals must be the same. If a failure to post a receipt to the Treasury Control is discovered, an adjusting entry at the end of month is required. If a

failure to post a receipt to the Financial Docket Ledger is discovered, this may be remedied by simply posting the entry.

7. Check the postings of any adjusting entries made during the month on form SF-1097 (Voucher and Schedule to Effect Correction of Errors) and form SF-1098 (Cancellation of Checks). Both forms must be posted to the Cash Receipts Journal as well as the Treasury Control. If there were errors in posting to the docket ledger sheets, a Trial Balance will have to again be completed. If errors were in posting to the Treasury Control, adjusting entries must be made. If all the above steps have been carefully followed and no error discovered, the financial supervisor should repeat the procedure from the very beginning and run all new tapes. After the second time, if the accounts still do not balance, the financial supervisor must promptly notify the Clerk.
8. Bank deposits will not be prepared by the same financial clerk who maintains the Cash Receipts Journal.
9. The financial clerk who reconciles the bank statements will not prepare the checks.
10. The certifying officer will not sign checks except when lack of personnel makes it necessary.

IX. DISBURSEMENT VOUCHERS

Before writing a check the following items need to be checked and examined:

Signature of Certifying Officer. Signature card must be on file.

Proper Amount.

Mathematical Errors.

Calculating Discounts.

Proper Accounting Classification.

Fiscal Year Information.

X. LIBRARY FUND

The Library Fund is reconciled monthly like a personal checking account. Disbursements by checks are signed by the Chief Judge and the Clerk of Court.

XI. INTEREST BEARING ACCOUNTS

All investments of registry funds into interest-bearing accounts will be made upon authority of individual court orders in compliance with Rule 67 of the Federal Rules of Civil Procedures. The financial supervisor will be responsible for verifying that each court order is complied with and will maintain records on each account, reporting monthly on form AO 274.

XII. SECURITY

A. Combination to Safes/Vaults

1. The combination to safes/vaults shall be changed when an employee who knows the combination leaves the employment of this office, or when the Clerk believes that the combination may have been compromised.
2. Combinations to safes/vaults shall be given to the following individuals:
 - Clerk;
 - Chief Deputy;
 - Deputy-in-Charge of Divisional Office;
 - Financial Supervisor/Assistant Financial Clerk;
 - Cashier/Assistant Cashier.

A list will be maintained by the Clerk, or Chief Deputy, of those deputy clerks who know the combination to the vaults or safes.

3. A log of exhibits stored in safes or vaults will be maintained at all divisional offices and the headquarters office.

B. Safes/Vaults

Wherever practical and when authorized, the Clerk will install in all divisional offices fire-resistant safes or vaults with at least a three-position, dial-type combination lock door. Safes and vaults will be kept locked when not in use.

Blank check stock will also be located in walk-in vault.

Cash receipts will not be secured in the same area of the safes or vaults as cash exhibits.

XIII. PAYROLL

The checks and payroll certification are delivered to the Clerk's office via "Express Mail" each Thursday of the first week of the pay period. The package is opened by the Finance Administrator, and examined to insure that checks, certification printout and employee earning statements are accounted for. The Clerk of the Court is the receiving agent for the payroll packages of his own office; the Probation Office; the Magistrates and staff; and District Judges and staff. The Probation Office sign receipts for their payroll packages from the Clerk of the Court.

The payroll certification printout is prepared by the Finance Administrator, signed by the payroll certifying officer and mailed to the payroll section of the Administrative Office the Wednesday before the last business day of the pay period. In preparation for certification, the names, social security numbers, and hours in pay status during the pay period are examined for each employee listed. New employees are noted with their entrance on duty dates and social security numbers. Separated employees are deleted stating the reason and the date of separation. Any leave without pay is noted, changing the number of hours paid for the pay period and listing the dates of leave without pay. The printout is then given to the Clerk of Court for certification. When signed, the original is mailed to the payroll section of the Administrative Office.

Upon receipt of the checks, etc., from the Express Mail, the envelope of checks is opened. Each check is compared to the payroll certification copy, the original of which was mailed to the Administrative Office the week before. After all of the checks are accounted for, they are separated along with the employee earning statements and put into envelopes. The envelopes are kept in a safe in the Financial Administrator's office until personal distribution by the Finance Administrator is made the following day. Individual chambers' envelopes are delivered by the Finance Administrator. The Clerk's office personnel also receive their checks from the Finance Administrator.

JUNE 11, 1985
DATE

Murray L. Harris
MURRAY L. HARRIS, CLERK

June 17, 1985
DATE

Wm. Wayne Justice
WM. WAYNE JUSTICE, CHIEF JUDGE

SAFE AND VAULT COMBINATIONS
TYLER DIVISION

The following individuals know the combinations to the safe/vault:

Norma La Vigne

Peggy Thompson

Murray L. Harris

The following individuals have access to the vault:

Myra Barton

Joy Vandiver

Joyce Almaraz

Norma La Vigne

Murray L. Harris
Clerk of Court

_____ Oct 3, 1984
Date

ATTACHMENT 1

SAFE AND VAULT COMBINATIONS
DIVISION OFFICES

The following individuals know the combinations to safe/vault:

BEAUMONT

Joy McBride

Peggy Morse

TEXARKANA

Anita Thomason

SHERMAN

Shirley Davis

Sandra Southerland

MARSHALL

Peggy Anderson

Paulette Rogers

CASHIERS

Headquarters Tyler Division Office

Finance Clerk Norma La Vigne

Asst. Finance Clerk Peggy Thompson

Cashier Rita Robbins

Beaumont Division

Cashier Joy McBride

Cashier Jewel Lyons

Marshall Division

Cashier Peggy Anderson

Cashier Paulette Rogers

Texarkana Division

Cashier Anita Thomason

Sherman Division

Cashier Shirley Davis

Cashier Sandy Southerland

Cashiers will have the responsibility of accepting and receipting for funds pursuant to the forgoing procedures.

The following people have authority to sign checks:

Murray L. Harris, Clerk

Joy Vandiver, Deputy Clerk

Myra Barton, Deputy Clerk

CASHIERS

Headquarters-Tyler Division Office

Finance Clerk Norma La Vigne

Asst. Finance Clerk Peggy Thompson

Cashier Rita Robbins

Beaumont Division

Cashier Joy McBride

Cashier Jewel Lyons

Marshall Division

Cashier Peggy Anderson

Cashier Paulette Rogers

Texarkana Division

Cashier Anita Thomason

Sherman Division

Cashier Shirley Davis

Cashier Sandy Southerland

Cashiers will have the responsibility of accepting and receipting for funds pursuant to the forgoing procedures.

The following people have authority to sign checks:

Murray L. Harris, Clerk

Joy Vandiver, Deputy Clerk

Myra Barton, Deputy Clerk

COUNT OF CASH

Name of Fund _____ Amount of Fund \$ _____

Custodian of Fund _____

Time Count Started _____ Date of Count _____

Time Count Ended _____

Currency:

<u>Denomination</u>	<u>Number</u>	<u>Amount</u>
\$100		\$ _____
50		_____
20		_____
10		_____
5		_____
1		_____
	Currency Total:	\$ _____

Coins:

.50		_____
.25		_____
.10		_____
.05		_____
.01		_____
	Coins Total:	\$ _____

Checks, Money Orders, and Vouchers: (Detail on reverse of this page)

Checks, Money Orders, & Vouchers Total: \$ _____

Total Cash and Cash Items: \$ _____

I certify that the above listed cash, money orders, and vouchers in the amount of \$ _____ were counted by _____.

I also certify that all of the above listed cash, checks, money orders, and vouchers which represents the total of the above-named fund that is in my custody were returned to me intact.

Name: _____ Date _____

Title: _____

ATTACHMENT 4

Please make payment payable to: CLERK, U. S. DISTRICT COURT

Mail payment to: Clerk, U. S. District Court

CLERK

By: _____
Deputy Clerk

PLEASE RETURN THIS STATEMENT WITH YOUR REMITTANCE