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COUNTY MAYOR

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HAMILTON COUNTY, TENNESSEE

INTERNAL AUDIT

To: Weston Wamp, County Mayor
Hamilton County Commissioners
Audit Committee
Holly Wormsley, Director of Accounting

From: Chris McCollough, County Auditor

Date: March 6, 2025

Subject: Audit of Hamilton County's Cash Receipts

We performed an audit of Hamilton County's cash receipts for the period July 1, 2023, through June 30, 2024. Our audit focused on testing samples of entries from the county's CentralSquare accounting system to ensure agreement, authorization and compliance. The following represents a summary of our audit procedures performed and conclusions reached.

BACKGROUND

Hamilton County currently utilizes CentralSquare accounting software for posting all financial activity. Each county department that receives funds is responsible for delivering the deposit to the bank. The department will subsequently forward the deposit slip along with supporting documentation to accounting for recording to the proper account code in CentralSquare. At the beginning of each month, the Trustee reconciles its bank accounts to ensure all deposits are accounted for. It is the responsibility of each department to access CentralSquare to confirm their accounting records have been posted properly and to communicate any needed adjustments or corrections.

The Trustee's office receipts funds submitted to the county via ACH electronic deposits. These deposits get assigned to the proper department and appear on the daily receipts reports for notification to each area.

Our test work did not incorporate any fee office transactions processed through their respective officer's fee accounts. (Those offices are audited separately by county audit at the end of each fiscal year and include Circuit Court Clerk, Clerk & Master, County Clerk, Juvenile Court Clerk, Register and Sheriff.)

AUDIT PROCEDURES/OBJECTIVES

Our audit procedures covered the period of July 1, 2023, through June 30, 2024, and included the following:

- To ensure cash receipts are posted to the general ledger on a timely basis
- To verify that all cash receipts are properly supported and correctly classified
- To confirm that receipts are accurately deposited, and were done so within three business days in compliance with state law TCA 5-8-207; and
- To recalculate the Trustee's commission and determine the correct percentages were used

AUDITORS' OPINION & FINDINGS

In our opinion:

- The county's cash receipting process appears to be accomplishing its objective of establishing an internal control system over cash receipts so that Hamilton County's resources are properly collected, safeguarded, and accounted for.

However, our examination noted certain violations and other controls that need improvement in the county's cash receipting process. These exceptions and our recommendations are as follows:

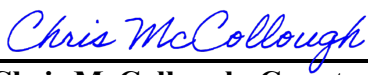
Date Stamping Checks

Observation – We discovered five (5) transactions where the incorrect receipt date was used. When the incorrect date is used, it makes it difficult to determine whether deposits are in compliance with the three-day law. Per state statute TCA 5-8-207 (a) (1), every county official handling public funds shall be required to maintain an official bank account in a bank or banks within this state, and shall, within three (3) days after the receipt by such county official of any public funds, deposit the funds to the credit of such county official's official bank account, or bank accounts. With exceptions for weekends and holidays, county employees responsible for making deposits must adhere to the three-day law and make deposits within three days of receipting any public funds. Date stamping checks upon receiving them will help ensure the integrity of this process.

Recommendation – We recommend that all checks be stamped when they are received with the Hamilton County date stamp in order to avoid inadvertently using the check or invoice date as the receipt date. This will provide a basis for when the funds were received, which will help confirm the three-day law is observed.

Management Response – Moving forward, we will ensure that all checks are stamped with the Hamilton County date stamp upon receipt. Additionally, we will enhance training to ensure that the date stamp is included on the cash receipt as part of the posting process.

We appreciate the help of the Trustee's staff and accounting in assisting us during our audit. If there are any questions regarding this report, please call Austin Durall, Audit Manager, at 209-6211 or me at 209-6212.


Chris McCollough, County Auditor

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