

MINIMUM ACCOUNTING RECORDS, CONTROLS, AND PROCEDURES
FOR AUTOMATED GENERAL LEDGER SYSTEMS
IN COUNTY CLERKS OF COURT OFFICES

As developed by the Office of the Comptroller of the Treasury
Division of Local Government Audit

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PURPOSE

The purpose of this document is to identify those minimum, automated accounting records and controls to be maintained and implemented by county clerks of court to support amounts presented in their financial statements and to comply with legal requirements. Clerks of court may choose to maintain and implement additional accounting records and controls.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

“A governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the financial position and results of financial operations of the funds and account groups of the governmental unit in conformity with generally accepted accounting principles (GAAP), and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.” [National Council on Governmental Accounting 1, ¶2]

Hierarchy of Generally Accepted Accounting Principles

Generally accepted accounting principles are derived from the following sources:

1. Governmental Accounting Standards Board (GASB) Statements and Interpretations. Also, American Institute of Certified Public Accountants (AICPA) and Financial Accounting Standards Board (FASB) pronouncements specifically made applicable to state and local governmental entities by GASB Statements or Interpretations.
2. GASB Technical Bulletins. Also, if specifically made applicable to state and local governmental entities by the AICPA and cleared by the GASB: AICPA Industry Audit and Accounting Guides and AICPA Statements of Position.
3. AICPA AcSEC Practice Bulletins if specifically made applicable to state and local governmental entities and cleared by the GASB. Also, consensus positions of a group of accountants organized by the GASB that attempts to reach consensus positions on accounting issues applicable to state and local governmental entities.
4. Implementation Guides published by the GASB staff. Also, practices widely recognized and prevalent in state and local government.
5. Other accounting literature, including GASB Concepts Statements and AICPA and FASB pronouncements when not specifically made applicable to state and local governmental entities.

Legal Requirements

Government financial operations evolve from and are regulated by various kinds of legal provisions. These may include dedicating certain revenues for expenditure for particular purposes and statutes spelling out such things as tax rate limits, methods of collection, discounts, and delinquency dates. The annual operating budget is one of the most important of all legal documents governing financial transactions. Accordingly, the accounting system, its fund structure, terminology and procedures, must take cognizance of and be adapted to satisfy and demonstrate compliance with finance-related legal requirements. Conflicts between legal provisions and GAAP do not require maintaining two accounting systems. Rather, the accounting system may be maintained on a legal compliance basis but should include sufficient additional reports to permit GAAP-based reporting. Where financial statements prepared in conformity with GAAP do not demonstrate finance-related legal and contractual compliance, the governmental unit should present such additional schedules and narrative explanations in the annual comprehensive financial report (ACFR) as may be necessary to report its legal compliance responsibilities and accountabilities.

FUND ACCOUNTING

“Governmental accounting systems should be organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.” [Codification of Governmental Accounting and Financial Reporting Standards, Section 1100.102]

OFFICE OF THE COMPTROLLER OF THE TREASURY

Sections 4-3-304, 5-8-501, and 9-2-102, Tennessee Code Annotated, provide the Office of the Comptroller of the Treasury with authority and responsibility over accounting systems used by county officials and the minimum standards required of those systems.

COUNTY UNIFORM CHART OF ACCOUNTS

As required by procedures established by the Office of the Comptroller of the Treasury under provisions of Section 5-8-501, Tennessee Code Annotated, counties must maintain their accounting systems in accordance with the County Uniform Chart of Accounts. This chart of accounts provides for three categories of funds, two account groups and other accounting entities. The County Uniform Chart of Accounts is presented in Appendix A of this document.

MINIMUM ACCOUNTING RECORDS, CONTROLS, AND PROCEDURES FOR CLERKS OF COURT

Accounting Records

The following is a list of the minimum records for automated accounting systems to be maintained by county clerks of court:

Annual Financial Report

“All appointive or elective county public officials, official county boards, committees and commissions in the state of Tennessee having in their charge and custody public funds or moneys are required to file with the county mayor and with the county clerk, who shall provide a copy of this report to each member of the county legislative body on or before the next meeting of the county legislative body an annual financial report for the year ended June 30, in a form prescribed by the comptroller of the treasury.” Section 5-8-505, Tennessee Code Annotated. The following information should be included on the report: description, beginning balance, adjustments, receipts, disbursements, commission transfers, and ending balance.

Balance Sheet

A report reflecting the following information for each asset, liability, and equity account used in the clerk of court office: fund number, account number, description of account, and the amount of the account. Accounts should be grouped by assets and liabilities. A copy of the Balance Sheet should be printed or stored electronically in a pdf format monthly. A Balance Sheet should be able to be generated at any time.

Trial Balance

A record reflecting the following information for each asset, liability, and equity account used in the clerk of court office: fund number, account number, description of account, beginning balance, year-to-date debits, year-to-date credits, and ending account balance. A Trial Balance should be printed or stored electronically in a pdf format monthly. The report should be able to be generated at any time. Trial Balance totals should reconcile with amounts on the Balance Sheet.

Month-to-Date Account Analysis

A record reflecting the following detailed information for each account on the accounting records of the office: fund number, account number, document type, document number, date of record, description, debit amount and credit amount. The Monthly Account Analysis should be printed or stored electronically in a pdf format monthly. The report should be able to be generated any time for a given date range.

Year-to-Date Account Analysis

A record reflecting the following detailed information for each account on the accounting records of the office: fund number, account number, document type, document number, date of record, description, debit amount and credit amount. The Year-to-Date Account Analysis should be printed or stored electronically in a pdf format at fiscal year-end. The report should be able to be generated any time during the year for a given date range.

Monthly Reports

These are reports that detail the disbursements to state, county, city, and other agencies. The following information should be included: payee, receipt number, case style, case number, disbursement date, amount, general ledger account distribution. These reports should be printed or stored electronically in a pdf format monthly. The reports should be able to be generated by a date range.

Execution Docket Trial Balance

A record required by Section 18-2-103, Tennessee Code Annotated to indicate the balance of execution docket cause balances and reflecting the following information: case number, date, fund number, account number, description/case style, and balance. The Execution Docket Trial Balance should be printed or stored electronically in pdf format monthly. The report should be able to be generated at any time.

General Journal

A record used for funds and accounts to reflect adjusting entries, correcting entries, and any other transaction not made by cash receipts or cash disbursements. The following information should be maintained: date, journal entry number, description, account number, debit amount, account number, credit amount. A General Journal should be printed or stored electronically in a pdf format monthly. The report should be able to be generated at any time.

Bank Account Reconciliation

Report which allows the clerk of court to perform a bank account reconciliation for each bank and to provide an itemized list of outstanding checks showing the following information: check number, the date issued, the payee, and the amount. The Bank Account Reconciliation should be printed or stored electronically in a pdf format monthly.

Receipts Journal

The Receipts Journal should provide a detailed listing of all receipts generated for a selected date range. At a minimum, this report should include the following information: receipt number, date of receipt, case number, name of payer, who issued receipt, type of payment, receipt breakdown by account or fee, total for receipt, total receipts for the period, and period totals by general ledger account entries. All receipts should be listed. Any receipt adjustment transactions should be displayed. Voided receipts should also be reflected on the report. A Receipts Journal should be printed or stored electronically in a pdf format daily and at month end. The report should be able to be generated at any time for a selected date range. The Receipts Journal generated at month end should provide a summary of daily receipting transactions. At a minimum, the monthly report should include the following information: date, daily summary by general ledger account entries, total receipts for that day, and monthly totals by general ledger account entries.

Deposit Journal

A record reflecting the following information for deposits: date of deposit, deposit number, description of account, fund number, account number, debit amount, and credit amount. A Deposit Journal should be printed or stored electronically in a pdf format monthly. The report should be able to be generated at any time for a selected date range. The Deposit Journal should reconcile with the amounts on the Pre-Deposit Tickets.

Pre-Deposit Ticket

This is a record reflecting the following information for deposits: receipt number, case number, received of, payment type, and amount. All receipts should be listed. Receipts should be listed in receipt number order. The Pre-Deposit Ticket should be printed or stored electronically in a pdf format on a daily basis. The report should be able to be re-printed for a given date as needed.

Void Receipt Report

A Void Receipt Report should be printed or stored electronically in a pdf format on a monthly basis. The report should be included as a part of the routine monthly closing procedures. The report should be able to be generated by system date and the date range for which the report was generated should be displayed on the report. Information to be included on the report is as follows: date, receipt number, case number, style of case, payment type, received of, amount, void reason, and user id or initials of person performing the void.

Daily Reconciliation Report

A control record to be used for each collection point within the office to verify that collections and receipts are the same. The following information should be included: payment type, user ID or initials of employee receiving collection, received of, payment type totals, and bank deposit totals. The Daily Reconciliation Report should be printed or stored electronically in a pdf format daily. The report should also be able to be re-printed for a particular day.

Receipts

Sections 9-2-103 and 9-2-104, Tennessee Code Annotated, require official receipts for all collections. Branch operations should have an independent receipting system for collections to assure identification as well as accountability for the branch.

Clerks of court will no longer have to maintain stocks of pre-printed and pre-numbered receipts as long as the following criteria are met:

- The following information should be maintained for each receipt: date, receipt number, case number, style of case, payment type, received of, and amount.
- The receipting software must assign a unique number to each receipt. Receipt numbers should be assigned in a sequential numerical order. These numbers must be physically printed on the receipt document. The computer system should not allow for the manipulation of these receipt numbers.
- As long as a logical record of a receipt is maintained by the computer system, a duplicate hard copy receipt will not have to be printed. However, receipt documents must be able to be issued to the payer upon request.
- Any receipt adjustment transactions must not affect the original receipt. Receipt amounts should not be able to be changed. Furthermore, receipts should not be able to be deleted from the computer system. All receipt adjustment transactions must be maintained for audit purposes.

When a computer system is used to generate receipts, provision should be made for the use of a separate official pre-numbered receipt book at times when the computer system is down. If computer receipts are then generated, the computer-generated original should be attached to the receipt book duplicate. Computer generated receipts should always be initialed or stamped with the user ID or initials of the employee generating the receipt.

Disbursements Journal

A record reflecting the following information for disbursements: date of check, payee or vendor, check number, case number (if applicable), fund number, account number, debit amount, and credit amount. A Disbursements Journal should be printed or stored electronically in a pdf format daily and at month end. A system user should be able to generate a Disbursements Journal at any time for a selected date range.

Check Register

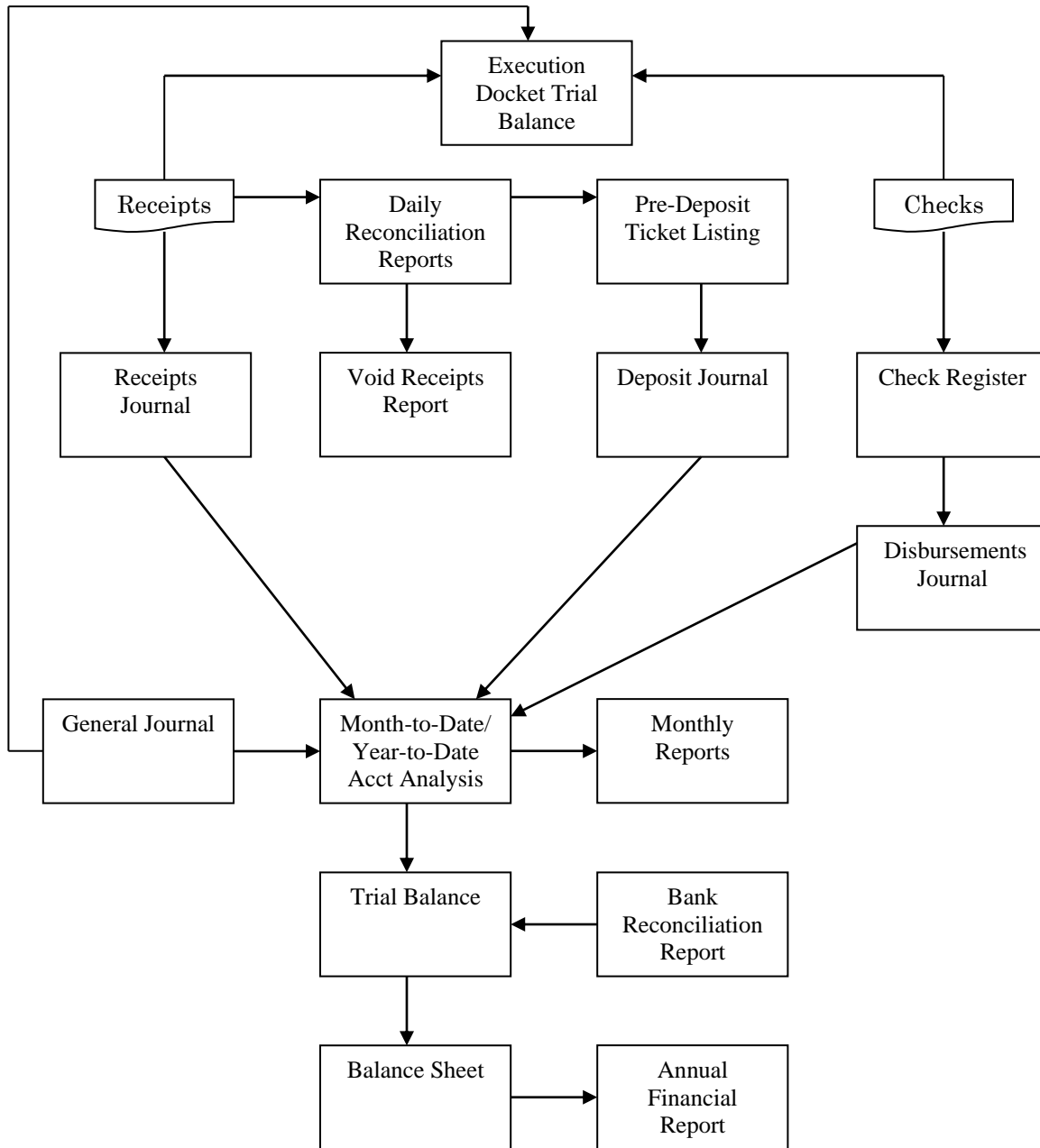
A record of all disbursements should be maintained. The following information should be included: check date, check number, style of case, case number, if voided (date and reason), paid to, and amount. The Check Register should be printed or stored electronically in a pdf format daily. The report should also be able to be generated for a date range.

Checks

In accordance with Section 5-8-207, Tennessee Code Annotated, clerks of court shall be required to make all disbursements of public funds by consecutively pre-numbered checks drawn on such official's official bank account or bank accounts. The Check Register and Cash Disbursements Journal should reflect all checks that are written by the office.

System Reconciliation Flowchart

The following diagram graphically demonstrates how the various accounting records and reports maintained by clerks of court should be reconciled:



Miscellaneous Controls

- Case management transactions must automatically feed the general ledger.
- Any system entry or transaction should automatically update the general ledger and execution docket trial balance.
- Manual accounting transactions, which result from a system failure, should be entered into the system with the date on which the actual transaction occurred. Receipts, checks, and journal entries should all be stamped with a system date as well as with the actual date the transaction occurred. The user ID or initials of the individual that entered the transaction into the system should also be included.
- System users should not be able to date a check to a prior accounting month that has been closed.
- Voided receipts should never change the totals for a prior day. If reports are re-run, totals should remain as they were prior to the void. Voids should affect accounts as of the date of the void, referencing the original receipt.

Routine Transactions

The following routine transactions should be used:

- **Receipt Money**

Debit	CASH ON HAND
Credit	liability accounts/fee account

- **Write Checks**

Debit	liability account
Credit	CASH IN BANK

- **Deposit Money**

Debit	CASH IN BANK
Credit	CASH ON HAND

- **Void Receipts** (prior to being posted to general ledger)

Debit	liability account
Credit	CASH ON HAND

- **Void Receipts** (after being posted to general ledger)

Debit	liability account
Credit	CASH IN BANK

- Voided Checks

Debit	CASH IN BANK
Credit	liability accounts

- Transfers

Debit	affected accounts
Credit	affected accounts

Closing Procedures

The following reports should be generated automatically upon end-of-day, end-of-month, and end-of-year processing:

End-of-Day

- Daily Reconciliation Report
- Pre-Deposit Ticket
- Check Register
- Receipts Journal
- Disbursements Journal

Totals from these reports should balance with the cash in the office.

End-of-Month

The Month-End process should not be allowed to occur if there are any un-posted transactions.

- Balance Sheet
- Trial Balance
- General Journal
- Receipts Journal
- Disbursements Journal
- Deposit Journal
- Execution Docket Trial Balance
- Monthly Reports
- Month-to-Date Account Analysis
- Bank Account Reconciliation
- Check Register
- Void Receipt Report

Year-End

- End-of-Month reports
- Year-to-Date Account Analysis
- Annual Financial Report
- Balance Sheet
- Trial Balance