Maury County, Tennessee
Office of Financial Management
INTERNAL CONTROLS

EFFECTIVE December 1, 2019

Purpose

To document an understanding and assess the internal control of Maury County, Tennessee Office of Financial Management as it pertains to the following:

I. Whether obligations and costs of the operation are in compliance with applicable law.

II. Whether county funds, property and other assets that are designated/assigned to the Office of Financial Management are safeguarded against waste, loss, unauthorized us or misappropriation.

III. Whether revenues and expenditures in the county funds are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets.

Control Environment

All Financial Management employees have written job titles and descriptions, have had criminal background checks performed, and are drug tested prior to employment with Maury County. The Finance Director sets the tone for the office with a written mission statement(Exhibit Attached) that stresses the importance of accountability for public funds and are in compliance with the Financial Management System of 2018. Additionally, the Finance Director communicates with the staff through meetings and annual employee evaluations. The Finance Director will ensure that integrity, ethical behavior, and competence in job skills are expected out of The Maury County Office of Financial Management employees.

The Office of Financial Management consists of positions including Finance Director, Deputy Finance Director, Senior Accountant, Purchasing Agent, and a Finance Administrative Assistant. These employees work on both Maury County Government and Maury County Public School financial activities. Other specialty staff includes:

- Accountant

  One position for Maury County Government Activities and one for MCPS activities

- Payroll

Three positions for MCPS activities, and two positions for Maury County Government activities

- <u>Accounts Payable</u>

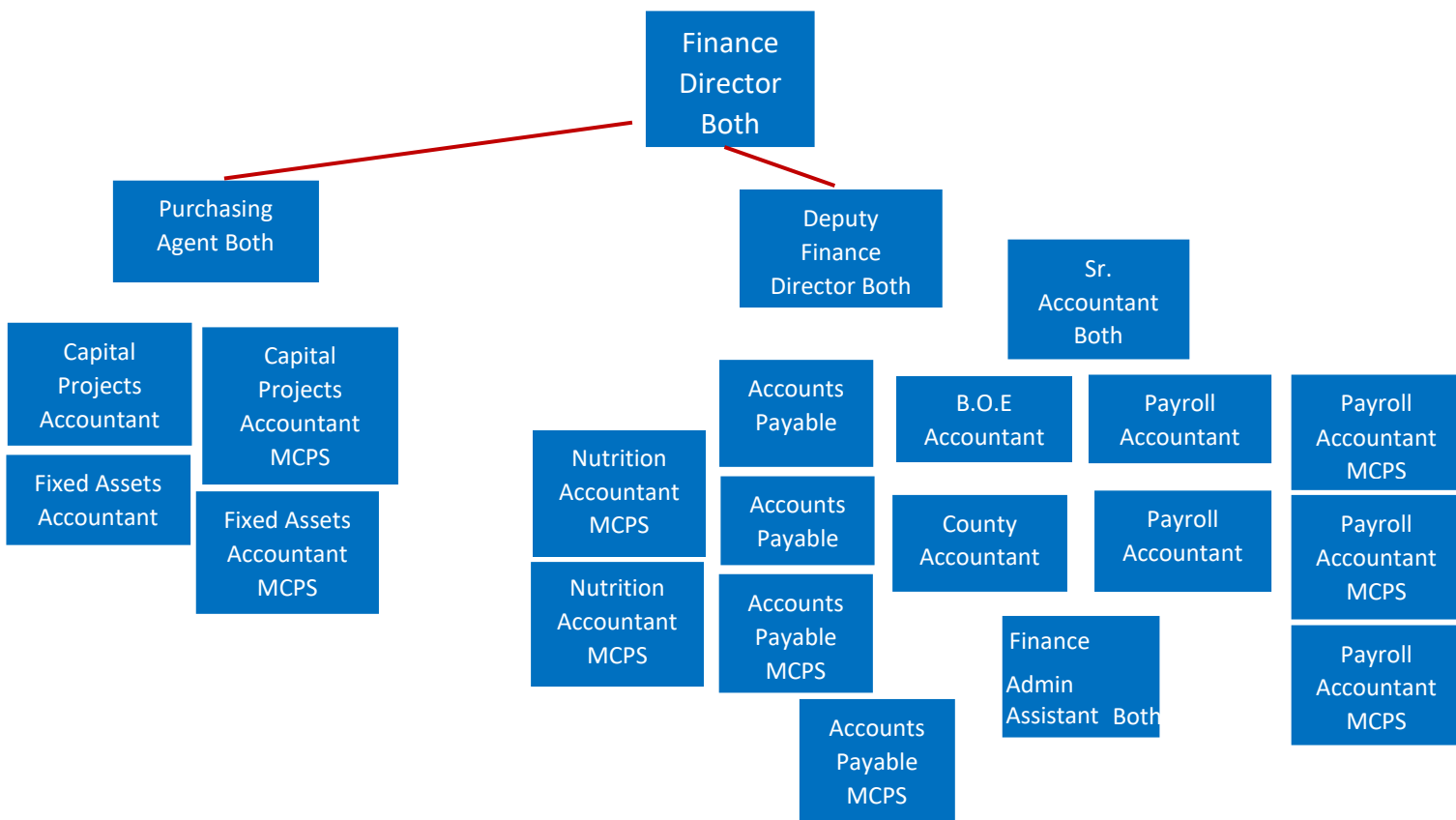   Two positions for MCPS activities and two positions for Maury County

    Government Activities

- <u>Purchasing</u>

    One position for MCPS activities and two positions for Maury County

    Government Activities

Staff Structure

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                          Finance
                          Director
                           Both

   Purchasing                          Deputy
   Agent Both                          Finance
                                     Director Both        Sr.
                                                      Accountant
                                                         Both

Capital        Capital
Projects       Projects        Accounts      B.O.E        Payroll       Payroll
Accountant     Accountant      Payable     Accountant   Accountant    Accountant
               MCPS                                                       MCPS
            Nutrition
Fixed Assets  Accountant      Accounts                   Payroll       Payroll
Accountant    MCPS            Payable       County     Accountant    Accountant
              Fixed Assets               Accountant                     MCPS
              Accountant
              MCPS         Nutrition      Accounts
                          Accountant      Payable                   Payroll
                          MCPS            MCPS       Finance       Accountant
                                                     Admin          MCPS
                                      Accounts    Assistant  Both
                                      Payable
                                      MCPS
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Obligations and costs of the operation are in compliance with applicable law

Ensure that contracts are in place for goods and services that are required by law, review purchasing procedures for non-pay costs to ensure compliance with law, review payroll procedures to ensure that payroll is for legitimate and authorized employee costs only, review emergency purchase procedures for compliance with law, ensure any store cards and credit cards used by the department are in compliance with purchasing policy and law and are safeguarded. Ensure that all debt is issued in accordance with statute.

Process of Adoption of Original Annual Budget

Maury County operates under the 2018 Maury County Financial Management Act which sets the budget process. Additionally:

1. No later than February 1, the finance director will deliver forms for all budget requests to all departments, commissions, institutions, boards, offices, and agencies.
2. All departments, except local board of education, should deliver the appropriate estimates and budget request to the finance director.
3. If more time is needed, the Budget Committee will schedule a Special Called Budget Committee meeting.
4. The county budget committee will vote upon proposed budgets and the finance director will notify the departments whether the county budget committee approved or denied the proposed budget.
5. If approved, the finance director will immediately forward the budget to the county legislative body for consideration, or
6. If rejected, the department, commission, institution, board, agency, or office must submit a revised version of the budge to the finance director within ten (10) business days after receipt of notice that the budget was rejected.
7. The original budget is adopted and accepted by the State Division of Local Finance, the budget comes back to the Maury County Full Commission for ratification.

8. Once ratified, the original budget is then imported into the LGC software by the Deputy Finance Director or Senior Accountant. The Finance Director reviews the posted budget line items with the approved budget to ensure accurate posting of the original budget.
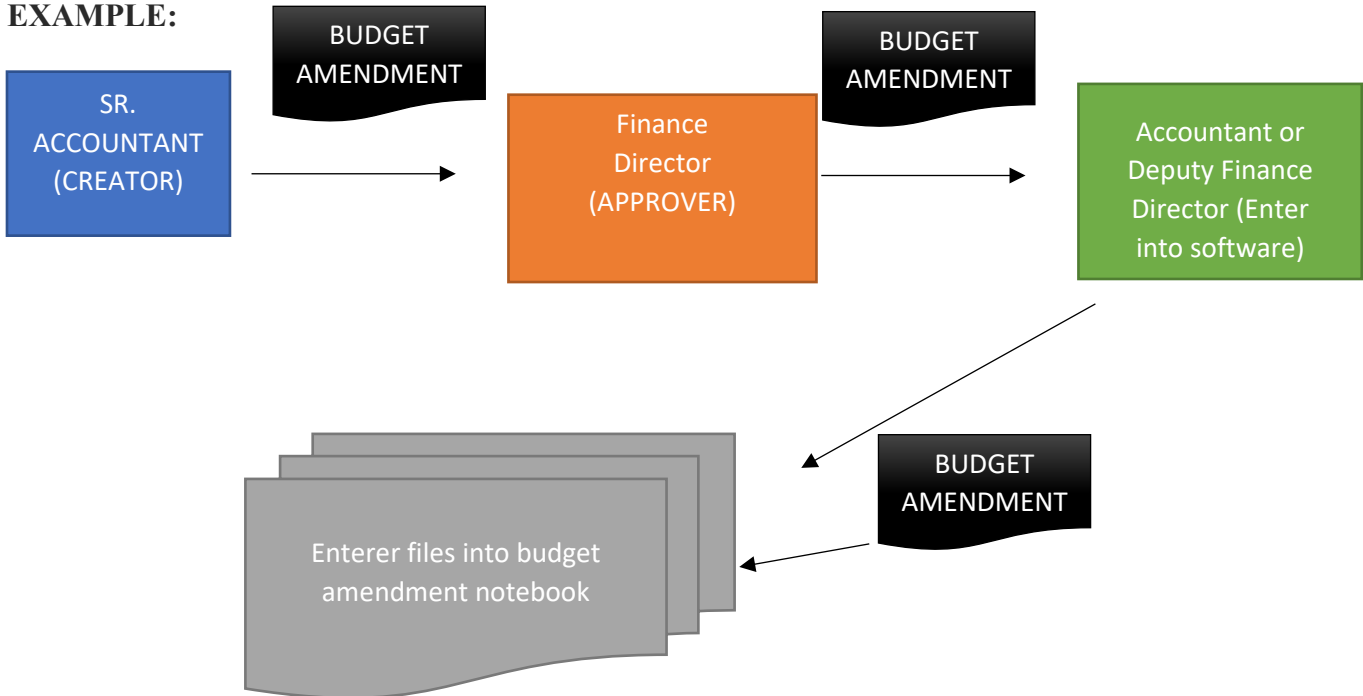
Amendments to the Budget

- **Budget Amendments *not* requiring County Commission Approval:**

These are budget amendments that **do not** amend the budget for line items concerning payroll, fund balance, or cross function entries. They fulfill the purpose of simply moving the amount of one budget line item to another using already appropriated funds.

Step-by-Step Control Process:

1. Employee finds/reports a line item that requires a change.
2. This employee reports the required budget change to the Senior Accountant, Accountant, Deputy Finance Director, or the Finance Director.
3. The budget amendment form "Budget Amendment Request Form" should be created and submitted for approval by the Senior Accountant, Accountant, Deputy Finance Director, or the Finance Director.
4. The budget amendment form must be submitted to the Finance Director for approval. When the Director is not present the Deputy Finance Director, or Senior Accountant may approve a budget amendment in his/her absence. **NO STAFF MEMBER IS ALLOWED TO APPROVE A BUDGET AMENDMENT THAT THEY CREATED AT ANY TIME. THIS INCLUDES THE FINANCE DIRECTOR. The Deputy Finance Director or Senior Accountant may approve a budget amendment created by the Finance Director.**
5. After approval, the budget amendment must be entered into the software. The staff member that enters the budget amendment into the software **must be someone other than the creator/submitter and approver.**

EXAMPLE:

- **Budget Amendments *requiring* County Commission Approval:**

  These are budget amendments that **do** amend the budget for line items concerning payroll, fund balance, or cross function entries.

  Step-by-Step Control Process:

  1. Employee finds/reports a line item that requires change to the payroll, or is being pulled from the fund balance.
  2. This employee reports the required budget change to the Senior Accountant, Accountant, Deputy Finance Director, or the Finance Director.
  3. The budget amendment form "Budget Amendment Request Form" should be created by the employee and then submitted for approval to the Deputy Finance Director or the Finance Director.

4. The budget amendment form must be submitted to the Finance Director or Deputy Finance Director for approval. If the Director is not present, the Deputy Finance Director, or Senior Accountant may approve a budget amendment in his/her absence. <u>**NO STAFF MEMBER IS ALLOWED TO APPROVE A BUDGET AMENDMENT THAT THEY CREATED AT ANY TIME. THIS INCLUDES THE FINANCE DIRECTOR.**</u>

5. After approval, the budget amendment form must be sent to the School Board or appropriate county commission committee for approval. The Full Commission Meeting will provide the final approval which allows The Office of Financial Management to enter the budget amendment.

6. If approved, the county commission creates a resolution number and it is sent back the finance office.

7. The budget amendment must be entered into the software. The staff member that enters the budget amendment into the software must be someone other than the creator/ submitter and approver.

8. Entered files go into budget amendment notebook or electronic storage.

EXAMPLE:
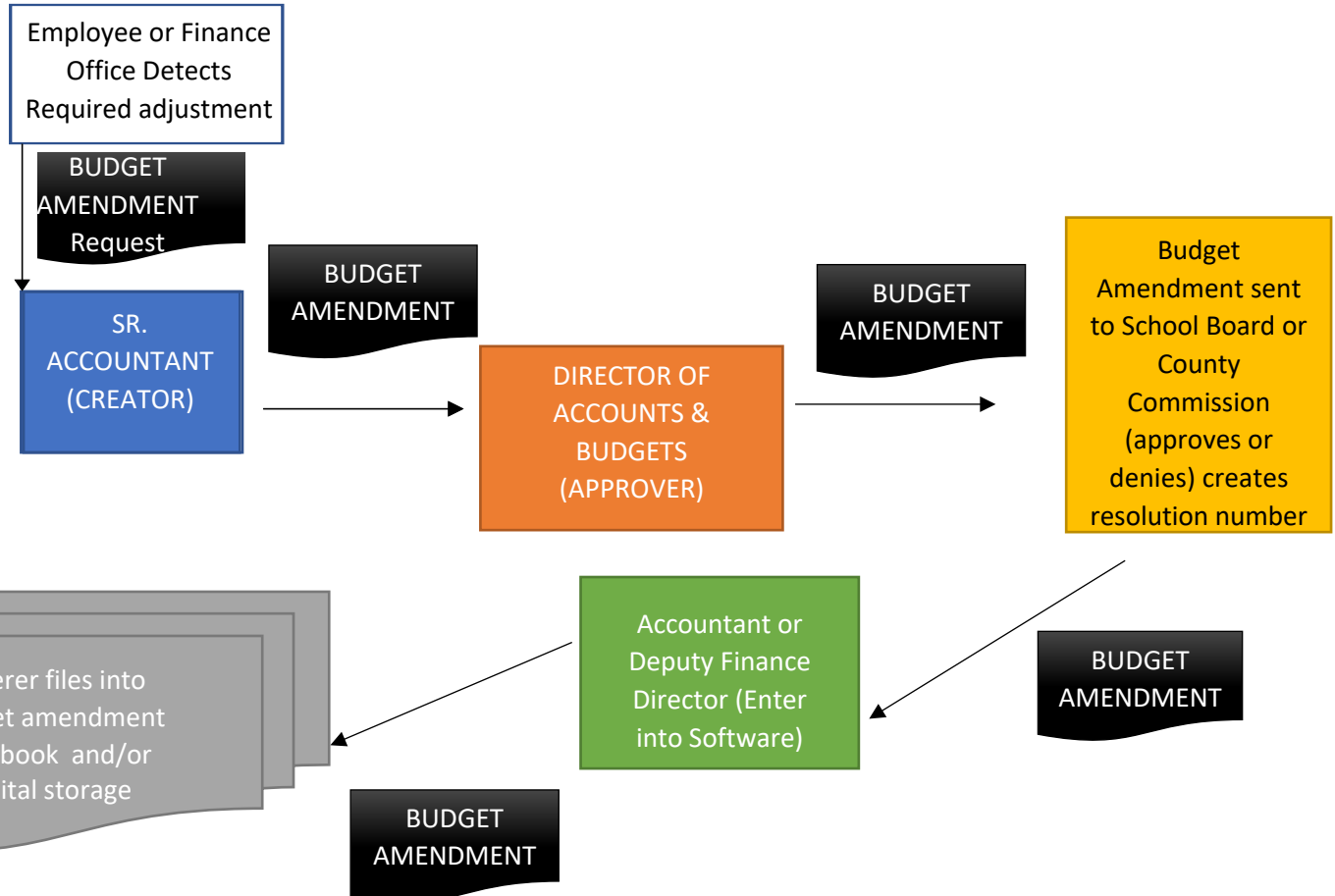
Journal Entries

I.   Maury County Journal Entries:

1. Employee finds an error or adjustment that requires a change.

2. This employee reports the required change to the Senior Accountant, Accountant, Deputy Finance Director, or the Finance Director.

3. Discovering employee completes the journal entry using the appropriate Journal Entry template.

4. The completed Journal Entry template must be submitted to the Finance Director for approval. When the Director is not present the Deputy Finance Director, or Senior Accountant may approve a budget amendment in his/her absence. **NO STAFF MEMBER IS ALLOWED TO APPROVE A JOURNAL ENTRY THAT THEY CREATED AT ANY TIME. THIS INCLUDES THE FINANCE DIRECTOR.**

5. After approval, the journal entry must be entered into the software. The staff member that enters the budget amendment into the software must be someone other than the creator/submitter and approver.

Accounts Payable- Billing and Payment Cycle- Disbursements

I. **Accounts Payable- Maury County General**

Upon issuance of a purchase order, a copy will be maintained in a file, in numerical order until the purchase order is fully paid or liquidated.

When an invoice is received from a vendor, it will be placed with the outstanding purchase order copy kept on file. After being matched the purchase order, the price that appears on the purchase order is verified, along with quantity, freight charges, and exempt taxes.

After verification of packing slips, bill of ladings, quantity, and price matches are complete, appropriate signatures will be needed to verify payment.

Maury County is tax exempt, therefore no taxes should be included on invoices. If taxes are included, the vendor should be contacted, and a Tax Exempt Certificate provided to the vendor.

- Paid Files: when county invoices are paid, the invoice should be initialed by the Accounts Payable Clerk. A payment stub, purchase order, requisition, and shipping documents will be attached to the payment stub. These files are maintained alphabetically for future use or auditing.

- Partial Payments: Partial payments are used when there is to be a lengthy delay in receiving a full order, or when cash discounts are offered.
- Billing and Payment Cycle:
    1. Invoice is received by AP Clerk
    2. Invoice is checked against purchase order they have on file
    3. Invoice is input into software
    4. Purchase order is liquidated if fully paid/if not a partial payment
    5. Payments are processed and matched with invoices
    6. Payments are sent to vendors
    7. Payments stub and attached documents are filed
- Disbursements: All non-payroll checks are generated on official, pre-numbered checks, and all payroll transactions are done by direct deposit unless grandfathered in before this rule was effective. The Mayor and Finance Director electronically sign all disbursements.

Miscellaneous Deposits Procedures

County Miscellaneous: When miscellaneous checks are brought to the Financial Management Office they are handled by the County Accountant. The County Accountant enters the check into a log, which includes information such as, the check number, description, who the check is from, and the amount on the check. The Accountant codes the check for later use in computer software. Once the check is entered into the log and coded, the Accountant places the check into a sealed envelope and it is taken to the County Trustees office.

The county trustee then runs the check and receipts it. Once the check is receipted, a report containing all miscellaneous deposit receipts is sent back to the County Accountant for entry into the software.

The Accountant manually enters the report into the County's computer software for documentation.

Maury County Board of Education/ School Nutrition Miscellaneous: When miscellaneous checks are brought to the Financial Management Office for the Board of Education, the B.O.E Accounts Payable receipts the checks. Once checks are receipted, they are given to the B.O.E Accountant, including the receipt. The Accountant prepares the checks for deposit (check codes, amounts, etc.). At that time, the Accountant places the check into a sealed envelope and it is taken to the County Trustees office for depositing.

Once the check is deposited, the B.O.E Accountant manually enters the receipt from the Bookkeeper into the Board of Education's computer software for documentation.

Payroll Administration

Payroll is authorized each fiscal year through the annual county budget appropriation, and letters of agreement are used for the constitutional officers. The Finance Director assists the county officials with completing their letters of agreements if requested. The Finance Director and Purchasing Agent also monitors all county payroll line items during the fiscal year to ensure that payroll costs do not exceed county commission's approved amounts, and the authorized amounts in the letters of agreement if applicable, without a budget amendment and/ or amendment to the letter of agreement first being approved.

I. **Maury County Payroll Procedures:**
   - All time sheets must be submitted by 8:00 A.M on the Thursday before pay day.
   - Once submitted, timesheets are processed through payroll software.
   - All employees of Maury County are paid by direct deposit in a bank checking or savings account unless the finance director or the deputy finance director authorize a check to be written. This should be an exception and NOT the normal procedure for Maury County payroll. Pay will not be directly deposited to a prepaid bank card of any kind. The only exception allowed is the employees grandfathered in by Resolution.

- Every effort will be made by the Finance Department to ensure that all employees are paid correctly. If an employee is underpaid or overpaid the correction will be made on the next payroll cycle.

- All garnishments/levies for employee wages should be submitted to the Finance Department so the appropriate amount can be removed and remitted from the employee's wage.

- When an employee terminates employment, all pay should be paid to the employee on the next payroll cycle following the termination date. This includes vacation, overtime, comp, and regular hours due.

- To protect against fraud (ghost employees, unauthorized bonus payments ,etc.) all new county employees are required to physically come to the Human Resource Department to get set up in payroll and sign all required hiring forms such as W-4 and I-9's. Additionally, all county employees that request a change in payroll direct deposit (new bank account) are required to physically come to the Office of Financial Management to sign necessary forms.

II.   Board of Education Payroll Procedures:

- The Office of Financial Management sets a deadline for each payroll for information to be received and applied to the upcoming payroll. Information received after the deadline will be pushed to the next payroll unless extenuating circumstances are present and approved by the Finance Director.

- All substitute teachers must submit time sheets to payroll on the 20th of each month. Once submitted, they are manually entered into payroll software.

- All employees of Maury County Board of Education are paid by direct deposit in a bank checking or savings account unless the finance director or the deputy finance director authorize a check to be written. This should be an exception and NOT the normal procedure for Maury County Board of Education payroll. Pay will not be directly deposited to a prepaid bank card of any kind, no exceptions.

- Every effort will be made by the Finance Department/B.O.E payroll technicians to ensure that all employees are paid correctly. If an employee is underpaid or overpaid the correction will be made on the next payroll cycle.

- All garnishments/levies for employee wages should be submitted to the Finance Department so the appropriate amount can be removed and remitted from the employee's wage.
- When an employee terminates employment, all pay should be paid to the employee on the next payroll cycle following the termination date. This includes comp, vacation, overtime, and regular hours due.

III. **Food Service/ School Nutrition Payroll Procedures:**
- All time sheets must be submitted by the last working day of the week, each week.
- Once submitted, timesheets are processed through payroll software.
- All employees of Maury County are paid by direct deposit in a bank checking or savings account unless the finance director or the deputy finance director authorize a check to be written. This should be an exception and NOT the normal procedure for Maury County payroll. Pay will not be directly deposited to a prepaid bank card of any kind, no exceptions.
- Every effort will be made by the Finance Department/School Nutrition payroll technician to ensure that all employees are paid correctly. If an employee is underpaid or overpaid the correction will be made on the next payroll cycle.
- All garnishments/levies for employee wages should be submitted to the Finance Department so the appropriate amount can be removed and remitted from the employee's wage.
- When an employee terminates employment, all pay should be paid to the employee on the next payroll cycle following the termination date. This includes comp, vacation, overtime, and regular hours due.

Vacation and Leave Obligations

  The County Payroll Accountants coordinate with the various county department heads to ensure all time sheets and sick/vacation/compensatory time accrued is accounted for accurately, and is in compliance with county personnel policies and is within legal limits.

  The BOE HR department coordinates with the various BOE departments to ensure all sick and vacation time accrued is accounted for accurately, and is in compliance with county personnel policies and is within legal limits. The BOE Payroll department manages the time sheets that are turned in.

  The Food Service Department heads coordinate with their employees to ensure all time sheets and sick/vacation/compensatory time accrued is accounted for accurately, and is in compliance with county personnel policies and is within legal limits. They submit the time to the BOE Nutrition Accountants.