HAMILTON COUNTY, TENNESSEE

INTERNAL AUDIT OFFICE

To: Rachael Kapperman, Clerk and Master
Hamilton County Audit Committee

From: Chris McCollough, County Auditor

Date: August 4, 2026

Subject: Review of Internal Controls and Procedures within the Clerk and Master's Office

OBJECTIVE

The objective of this review was to assess compliance with financial regulations, operational efficiency, and the adequacy of internal control systems within the Clerk and Master's office. As defined by the American Institute of Certified Public Accountants (AICPA), internal controls are broad processes designed to safeguard the integrity of financial and accounting information, enhance operational efficiency, and ensure adherence to laws and regulations. Internal controls play a critical role in asset protection, accuracy of financial reporting, operational efficiency, and regulatory compliance.

SCOPE

The review focused upon internal control processes across several business areas within the Clerk and Master's office. These areas included financial activities, time and attendance, information technology (IT), staff training and evaluation, and physical security. Auditors examined key internal control processes such as segregation of duties, authorizations and approvals, physical controls, reconciliations, and the adequacy of documentation and records.

This review was limited in nature and aimed at evaluating internal controls and assessing potential risks, in compliance with Tennessee Code § 9-18-102 (2024). It was not a comprehensive performance audit, and as a result, it only incorporated Government Auditing Standards applicable to the scope of the review.

METHODOLOGY

To carry out this review, Internal Audit staff utilized a combination of interviews and document reviews. Staff interviewed employees of the Clerk and Master's office to gain insight into day-to-day operations and internal processes, and employees in the IT Department to learn about best practices. Additionally, auditors reviewed a range of documents provided by the Clerk and Master's office and obtained through independent research, including:

- The organizational chart of the Clerk and Master's office,
- Job descriptions and responsibilities for key personnel,
- Standard Operating Procedures (SOPs),
- The Clerk and Master's Employee Handbook,
- Hamilton County IT Policies,
- Online entries within the CentralSquare accounting system.

Findings and Recommendations

Information Technology (IT)

Finding 1: There is not appropriate segregation of duties with regard to IT administration. There is currently one employee tasked with administering IT within the office. Nobody else, including the IT Department, has the appropriate administrative privileges and knowledge of the office to perform and provide oversight of IT operations. The current arrangement does not promote continuity of operations or provide appropriate oversight of IT administrative activities.

Recommendation: Partner with the County's IT Department to serve as a backup for IT administration and support for the Clerk and Master's office. Create a written agreement which outlines the IT administration responsibilities of each party and relevant information which should be shared to facilitate the partnership.

Management Response: The back-up for the specific duties the IT Operations Manager is responsible for is as follows:

1. helpdesk@hamiltontn.gov- serves as backup for anything related to issues concerning PCs, printers, equipment issues, etc.

2. telecomweb@hamiltontn.gov- serves as backup for anything related to issues concerning the telephones and/or fax machine.

3. For the various software used in this office, there is an email address and/or phone number associated with each vendor that serves as the backup for any issues related to that software, i.e. Tybera, TNCIS, and Laserfiche. This list is kept with the job description of the IT Operations Manager which is located in the Office of the Clerk & Master.

Finding 2: The IT administrator requires all users to provide her with their login credentials for the county network.

Recommendation: The office should eliminate the practice of password sharing by obtaining support from the County's IT Department. Establishing independent user authentication is essential for maintaining system security and accountability.

Management Response: The office has eliminated the practice of password sharing. Instead, each employee establishes their own password through the County IT's recommended steps.

Finding 3: There is currently no process to authorize, monitor, or reconcile remote access to users' devices by the IT administrator.

Recommendation: Establish an oversight process for the use of remote access, including authorizations by users, logs of remote access, and oversight by an independent employee.

Management Response: The IT Operations Manager does not access computers remotely without the presence of the user. In the event such remote access is necessary for the Chancellors or the Clerk & Master, the IT Operations Manager will inform the Clerk & Master of the log in via email, which will be kept in an electronic folder.

Procurement

Finding 4: Employees may be using personal accounts to order office supplies from vendors without oversight by another employee.

Recommendation: Use a shared office online account for procurement rather than a personal account. Establish a review and reconciliation process involving more than one employee.

Management Response: The Clerk & Master's Office discovered one account that was incorrectly put in an individual employee's name. That account has been corrected so that the account is now under the Clerk & Master's Office.

Performance Evaluation

Finding 5: The Clerk and Master's office does not conduct regular performance evaluations.

Recommendation: Implement the county policies requiring performance evaluations every three months during an employee's first year of employment, and at least once per year thereafter.

Management Response: This office is in the process of updating its handbook, which will include the county's policies regarding performance evaluations every three months during an employee's first year of employment, and once per year thereafter.

Time and Attendance

Finding 6: The office does not maintain an adequate tracking system for employee time and attendance. Employees provide leave requests to supervisors but do not currently report daily start and end times or hours worked. Supervisors reconcile leave requests and leave balances for employees under their supervision with the Chief Deputy of Operations on a semi-annual basis. Nobody currently approves or reconciles the Chief Deputy of Operations' time and attendance or leave.

Recommendation: The office should develop a centralized time and attendance recording system. The system should track all employee's start and end times, hours worked, leave accrued and leave used. The office should reconcile leave requests and leave balances on at least a monthly basis and should establish a request and approval process for all employees' use of leave. The office may consider implementing the WebPunch time and attendance system used by other County agencies.

Management Response: Our IT Operations Manager has discovered an online timekeeping system that will be used for keeping up with vacation and personal time taken. Each employee of the Clerk & Master's Office will have a supervisor who oversees and approves the requested time off. We have purchased the software and are working to implement it as soon as possible.

Finding 7: The office's use of time-off awards for participation in teambuilding activities receives insufficient oversight and is potentially wasteful. Office employees are granted official time to participate in teambuilding activities. In addition, they are provided with time off awards of approximately 1-2 days per year for their participation. The amounts of the time-off awards are determined by one employee with no further oversight, and there are no written procedures regarding the program.

Recommendation: The office should develop a written policy regarding the benefits and use of official time for teambuilding activities. Additional time-off awards are potentially wasteful and should be discontinued.

Management Response: This office is in the process of updating its handbook, which will set forth specific team building opportunities throughout the year and designate specific benefits to participating in those activities.

Administrative

Finding 8: The office does not maintain centralized standard operating procedures (SOP's) for all business areas, including court operations, human resources, IT administration, time and attendance, and procurement. The existing SOP's include some digital documents and some hand-written documents, and they are maintained by each department, or individually be each employee. There does not appear to be a policy outlining how SOP's should be developed, maintained, or updated on a regular basis.

Recommendation: Maintain a digital file containing all SOP's for operational and administrative activities within the office. Enable employees to access all SOP's applicable to their routine and backup duties, or areas under their supervision. Develop a process to regularly review and update SOP's to accommodate changes in the office's mission and responsibilities.

Management Response: The Clerk & Master and all employees are in the process of digitizing SOPs for the office. These SOPs will be discussed at year-end reviews and will be updated accordingly. The SOPs will also be updated consistent with new laws and procedures as required by the Clerk & Master and/or the Chancellors.

CONCLUSION

The Clerk and Master's office demonstrates a generally sound internal control environment, with many processes effectively supporting compliance and operational efficiency. However, improvements are needed in documentation practices, segregation of duties in specific operational areas, and IT governance. Implementing the recommendations outlined in this report will strengthen internal controls, enhance accountability, and reduce operational risk.

We appreciate the help of the Clerk & Master's staff during our review. If you have any questions regarding this report, please call Austin Durall, Audit Manager, at 209-6211 or me at 209-6212.

Chris McCollough

Chris McCollough, County Auditor

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