



Washington County Sheriff's Department Civil Office

Internal Controls Over Cash Receipts

Report of Examination

Period Covered:

January 1, 2012 — June 30, 2013

2013M-288



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	2
INTRODUCTION	3
Background	3
Objective	3
Scope and Methodology	3
Comments of Local Officials	4
CASH RECEIPTS	5
APPENDIX A Response From Local Officials	7
APPENDIX B Audit Methodology and Standards	9
APPENDIX C How to Obtain Additional Copies of the Report	10
APPENDIX D Local Regional Office Listing	11

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

January 2014

Dear County Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and County Board governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the Washington County Sheriff's Department Civil Office, entitled Internal Controls Over Cash Receipts. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the General Municipal Law.

This audit's results and recommendations are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

Washington County (County) is located in the eastern part of New York and has a population of approximately 62,000 people. The County is governed by a Board of Supervisors (Board) composed of 17 members, one of whom serves as the Chairman of the Board. The County provides a wide range of services including public safety, health, transportation, road maintenance, snow plowing and economic assistance. The Board, which is responsible for overseeing the County's financial operations and administering County services, adopted a budget of approximately \$121.5 million for 2013 of which approximately \$1.1 million was to finance the operations of the Sheriff's Department (Department).

The Department provides County services under the supervision of an elected Sheriff and the Board. The Department performs various law enforcement services, including overseeing the operations of the civil office. The civil office is responsible for collecting judgments, civil claims and related fees. Correction officers are responsible for collecting bail at the jail and then remitting it to the civil office for deposit. The civil office employs a civil deputy and two account clerks who handle the accounting for collections; the civil deputy also works outside the office processing civil cases. The civil office recorded cash collections totaling \$1,489,621¹ during our audit period.

Objective

The objective of our audit was to examine the Department's internal controls over cash receipts. Our audit addressed the following related question:

- Are the Department's internal controls over bail and civil office cash receipts appropriately designed and operating effectively to adequately safeguard County assets?

Scope and Methodology

We examined financial transactions related to the Department's cash receipts for the period January 1, 2012 through June 30, 2013.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit is included in Appendix B of this report.

¹ For fiscal year 2012, receipts totaled \$968,081 (of this \$318,910 was bail receipts). From January 1, 2013 through June 30, 2013, receipts totaled \$521,540 (of this \$128,915 was bail receipts).

**Comments of
Local Officials**

The results of our audit have been discussed with County officials and their comments, which appear in Appendix A, have been considered in preparing this report.

Cash Receipts

County and Sheriff's Department (Department) officials are responsible for establishing effective internal controls over the Department's cash receipts to ensure that all moneys are properly collected, safeguarded, and accounted for. Effective internal controls require Department officials to establish, implement and communicate policies and procedures to ensure that duties are properly segregated and moneys received are recorded and deposited timely and intact.

We found that Department officials have established adequate internal controls over cash receipts. Department officials established a fiscal management policy in February 2012 providing guidance over the collecting, recording, depositing and safeguarding of cash receipts received in the civil office. We also determined that various control procedures that Department officials had implemented over the cash receipts process in the civil office provided additional oversight.

Bail is collected in the jail lobby by the correctional officer on duty. The officer is required to put the bail into a sealed envelope along with a copy of the duplicate receipt issued to the payer and a corresponding commitment order. The envelope is then placed in the civil office locked drop box.² The civil deputy retrieves these funds each morning and issues a duplicate receipt to the jail administrator acknowledging the amount of bail the civil office received. The civil deputy posts the bail money to the computer system daily. The senior account clerk then verifies that the posting is correct.

Cash receipts for civil fees such as income executions, summonses, judgments and various other fees are collected by the civil deputy and/or the two civilian clerks at the front window of the civil office, or are received by mail. These collections are posted to the computer system daily. If payment is received at the window, a manual duplicate receipt is issued and a computerized receipt is generated and filed once the payment is posted to the computer system. All payments received in the mail have a computerized receipt generated and filed.

The civil office employees³ prepare their own bank deposit slip, initial it, and have another employee in the civil office verify the deposit and initial the slip. The employee then records the prepared deposit

² If a large cash payment is received, the officers from the jail will bring the money directly to the civil office so it can be counted by civil office employees in front of the jail employees.

³ Civil deputy, senior account clerk, and account clerk

amount in the manual cash ledger book and also on a daily cash log.⁴ The money is then placed in the civil office safe until the daily deposit is made. The civil officer makes the daily deposits and documents on the daily cash log the deposit composition, the date the deposit was made and his signature.

Daily, the civil officer or the senior account clerk prints an audit log⁵ for each employee who entered cash receipts⁶ into the computer system and verifies that the amount posted agrees with the deposit slip amount. Once the validated duplicate bank slip is returned, the senior account clerk verifies that the amount deposited agrees with the amount recorded in the cash ledger and makes a note on the ledger that it was deposited.

Due to the large amount of cash handled by the civil office, we tested 147 receipts totaling \$14,592 from January 1, 2012 through December 31, 2012 and 127 receipts totaling \$12,203 from January 1, 2013 through June 30, 2013. We reviewed both the computerized receipts and manual receipts (where applicable) and traced the transactions to the computer-processed audit logs, duplicate deposit slips, and bank statements. We found that appropriate receipts were issued for all the cash receipts reviewed, were recorded accurately and timely into the computerized system, and were deposited timely and intact.

We found that the Department's controls over bail and civil office cash receipts were appropriately designed and operating effectively to safeguard Department assets.

⁴ A cash log is prepared daily listing each deposit for the day and the amount of the deposit and is signed by the employee who prepared the deposit.

⁵ The audit log is a listing of all cash receipt transactions entered by an employee into the computer system. The audit log denotes an employee by his or her three-character initials.

⁶ Both bail and civil office fees are on the audit logs.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

The local officials' response to this audit can be found on the following page.



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January 6, 2014

To Whom It May Concern:

The Washington County Board of Supervisors and the Washington County Sheriff's Office are very proud that we had no actual findings in the Sheriff's Civil Office audit. The County will be integrating the various suggestions given to us by New York State Audit and Control to better our process.

This review was invaluable to the County because we will be implementing a new Civil Office program which will incorporate our current internal controls and should cut down on duplication.

Sincerely,

Kevin Hayes
County Administrator

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To accomplish our objective, we interviewed appropriate Department officials and employees, performed tests of transactions and reviewed pertinent documents, such as Departmental policies and procedures, where available for the period January 1, 2012 through June 30, 2013.

- We interviewed the Sheriff, Department officials and employees and reviewed Department policies and various financial records and reports related to Department cash receipts to gain an understanding of the internal controls over bail and civil office cash receipts.
- We physically inspected the location of bail and civil office cash receipts prior to deposit to determine if they were safeguarded and accessible to only authorized employees.
- We reviewed a random sample of three daily batches/logs from January 1, 2012 through December 31, 2012, totaling \$10,529 and encompassing 99 cash receipts, to determine if they were accurately accounted for in the computer system, a receipt was issued, and they were deposited timely and intact.
- We reviewed a random sample of three daily batches/logs from January 1, 2013 through June 30, 2013, totaling \$9,144 and encompassing 87 cash receipts, to determine if they were accurately accounted for in the computer system, a receipt was issued, and they were deposited timely and intact.
- We reviewed a random sample of two deposits from January 1, 2012 through December 31, 2012, totaling \$4,063 and encompassing 48 cash receipts, to determine if they were accurately accounted for in the computer system, a receipt was issued, and they were deposited timely and intact.
- We reviewed a random sample of two deposits from January 1, 2013 through June 30, 2013, totaling \$3,059 and encompassing 40 cash receipts, to determine if they were accurately accounted for in the computer system, a receipt was issued, and they were deposited timely and intact.
- We examined manual-issued receipts when applicable for pistol permit fees and bail during our audit period to verify when the payment was received and what form of payment (i.e., cash vs. check) was received.
- We examined computer generated receipts from all the receipts we tested to ensure they were accurate.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

APPENDIX C

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