



Chenango County

Departmental Cash Receipts

Report of Examination

Period Covered:

January 1, 2013 — September 29, 2014

2015M-21



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

April 2015

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 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 Chenango County, entitled Departmental 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 New York State 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

Chenango County (County) is located in the central part of New York and has a population of approximately 50,000 people. The County is governed by a Board of Supervisors (Board) comprising 23 members, one of whom serves as the Chairman of the Board. The Board has final administrative authority over County operations. The Board delegates overall responsibility for policy direction to County department heads and standing committees comprising individual Board members. The Board-appointed committees are to report back to the Board. The County provides a wide range of services including public safety, health, economic assistance, road maintenance and waste management. The Board adopted a general fund budget of approximately \$73.7 million for 2015.

The County has 16 departments that physically collect cash receipts.¹ These departmental receipts include various fees, fines, repayments and insurance copays. Each department is responsible for its own cash receipts procedures and must make daily or monthly deposits to the County Treasurer's Office (Treasurer's Office) or to the department's bank account.² Each department must also report monthly to its respective standing committee.

Objective

The objective of our audit was to examine certain County cash receipts processes. Our audit addressed the following related question:

- Did County officials ensure that certain cash receipts were properly collected, recorded and deposited?

Scope and Methodology

We examined certain departments' financial transactions related to the County's cash receipts processes for the period January 1, 2013 through September 29, 2014. Our audit focused on the top seven departments that physically collect moneys. The departments we audited included the Landfill, Department of Public Health, Department of Social Services, Office of Mental Health, Office of Alcohol and Drug Abuse, Sheriff's Office and County Clerk.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on

¹ There are 37 departments in the County that have cash receipts; however, the remaining 21 departments do not handle cash directly because they receive State or federal aid and other receipts that are directly deposited with the Treasurer's Office.

² Certain departments have their own bank accounts and must remit their month-end balance to the Treasurer's Office monthly.

such standards and the methodology used in performing this audit is included in Appendix B of this report.

**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. County officials agreed with our findings.

Departmental Cash Receipts

County officials are responsible for establishing effective internal controls over the departments' cash receipts to ensure that all moneys are properly collected, safeguarded and accounted for. General supervision of County employees is provided by department heads and Board-appointed standing committees. Effective internal controls require County officials to establish, implement and communicate policies and procedures to ensure that duties are properly segregated and moneys received are recorded and deposited.

We found that County officials did ensure certain cash receipts were properly collected, recorded and deposited. The Board appointed standing committees to provide oversight of their respective departments' cash receipts processes, and each of the departments we tested also has its own written procedures. Additionally, the specific procedures established within each department are tailored to its operations to ensure that moneys are collected, recorded and deposited intact and within a timely manner. Specifically, department officials have implemented effective controls including issuing duplicate receipts, segregating key financial duties, performing monthly reconciliations and cross-checking their records with the monthly Treasurer's Office's report.³ These controls mitigate risks that exist with the cash receipts processes.

While the internal controls were designed well, due to the inherent risks involved with cash receipts, we tested 308 payments received through seven departments totaling \$167,308, as indicated in Figure 1.

Figure 1: Cash Receipts Tested

Departments Tested	Number of Receipts	Dollar Amount of Receipts
Landfill	15	\$77,693
County Clerk	181	\$76,912
Sheriff's Office	61	\$8,425
Department of Social Services	24	\$2,921
Department of Public Health	8	\$810
Office of Alcohol and Drug Abuse	10	\$427
Office of Mental Health	9	\$120
Totals	308	\$167,308

³ Each month, the Treasurer's Office provides the departments with a summary report listing each revenue account and the deposits made.

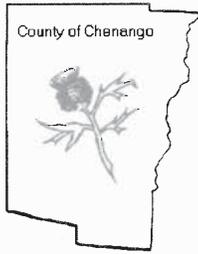
Our audit testing included sending letters to third parties requesting information relating to payments they made to the County for a specified period of time. We used these responses to verify that the moneys were properly collected, recorded and deposited in departmental records. We also traced the departments' daily or monthly remittances⁴ to the Treasurer's Office and verified that the payments were properly recorded and deposited. Our audit testing found, except for some minimal differences, that moneys were properly collected, recorded and deposited by the departments and the Treasurer's Office.

We commend County officials for their attention to developing good cash receipts control systems and ensuring compliance with these systems.

⁴ The Office of Mental Health, Office of Alcohol and Drug Abuse, Sheriff's Office and County Clerk each have their own bank accounts and make daily or bi-weekly deposits. On a monthly basis, they remit their balance due to the Treasurer's Office. The three remaining departments (Landfill, Department of Social Services and Department of Public Health) remit their deposits daily to the Treasurer's Office. The Treasurer's Office then deposits this money into its general checking account.

APPENDIX A
RESPONSE FROM LOCAL OFFICIALS

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



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BOARD OF SUPERVISORS**
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Lawrence N. Wilcox
Chairman

RC Woodford
Clerk of the Board
County Auditor

April 7, 2015

Mr. H. Todd Eames, Chief Examiner
NYS Office of the Comptroller
State Office Building, Suite 1702
44 Hawley Street
Binghamton, NY 13901-4417

Dear Mr. Eames,

On behalf of Chenango County, thank you for the opportunity to respond to the Comptroller's Report of Examination of Departmental Cash Receipts.

I would like to commend the staff of the State Comptroller's Office for the professional and courteous way they conducted the audit. We appreciate the transparency of the audit process and the auditor's willingness to discuss fiscal processes.

We agree with the findings in the report and are grateful for the opportunity to test our methods and procedures.

Thank you for your assistance in ensuring the fiscal integrity of our county.

Sincerely,

Lawrence N. Wilcox, Chairman
Chenango County Board of Supervisors

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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, for the period January 1, 2013 through September 29, 2014.

- We interviewed department officials and employees and reviewed department policies and procedures to gain an understanding of the cash receipts processes.
- We selected seven departments (out of 16) from the Treasurer's Office's report that physically⁵ collected moneys greater than \$150,000 during 2013. All of the remaining testing listed below was done to each of these seven departments.
- We sent third-party confirmation letters to 72 randomly selected customers requesting information relating to payments made during July through August 2014. We received 40 responses and documented the results, which included the amounts and methods of payment as well as the dates paid.
- For the 40 responses we received, consisting of 308 payments totaling \$167,308, we traced the customers' payments to the departments' accounting records. We verified that these payments were properly recorded in the customers' accounts and were included in the deposits to the Treasurer's Office or the departments' bank accounts.
- We reviewed a random sample of 12 of the 308 payments we tested above, totaling \$136,876, to verify that the Treasurer's Office was properly recording the deposits under the correct revenue account and depositing the cash receipts from the other departments.

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.

⁵ All 37 departments receive State and federal aid which is directly deposited into the Treasurer's Office's account and is not touched by the departments. The aid figures and any other revenues that were not received directly in the departments were removed from the totals on the 2013 Treasurer's Office's report, which left 16 departments.

APPENDIX C

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