



Yates County County Clerk Cash Receipts

Report of Examination

Period Covered:

January 1, 2014 – August 19, 2015

2015M-223



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

December 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 Yates County, entitled County Clerk 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

Yates County (County) serves approximately 25,300 residents within a 338-square mile area and is governed by a fourteen member Board of Legislators (Board). The appointed County Administrator (Administrator), within the limits of her authority, is responsible for the overall administration of County government. The County provides a wide range of services to its residents, including public safety, employment assistance, health care, maintenance of County roads and parks and temporary assistance to individuals and families. County budgets were approximately \$41.86 and \$42.74 million for 2014 and 2015, respectively.

The mission of the County Clerk's office is to record, file and preserve a variety of records and to process and issue a variety of documents. The County Clerk (Clerk) also serves as Clerk of the State Supreme and County Courts and is responsible for filing and maintaining court files. Additionally, the Clerk administers oaths of office. The Clerk, who has served in that position for 16 years, will be retiring at the end of 2015.

Objective

The objective of our audit was to examine the Clerk's cash receipt process. Our audit addressed the following related question:

- Did County officials ensure that cash receipts in the Clerk's office were properly accounted for and deposited intact¹ and in a timely manner?

Scope and Methodology

We examined the cash receipts process of the Clerk's office for the period January 1, 2014 through August 19, 2015.

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 are included in Appendix B of this report. Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

¹ That is, in the same form (cash or check) and amount as received and recorded

**Comments of
Local Officials and
Corrective Action**

The results of our audit and recommendations have been discussed with County officials, and their comments, which appear in Appendix A, have been considered in preparing this report. County officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make this plan available for public review in the Legislative Clerk's office.

County Clerk Cash Receipts

The Board and the Administrator are responsible for ensuring internal controls are established to safeguard the County's assets. However, as an elected official, the Clerk is chiefly responsible for the financial operations within her office and for establishing and implementing policies and procedures. This responsibility includes establishing policies and procedures to provide assurance that cash receipts are adequately safeguarded, accounted for and deposited intact and in a timely manner. Procedures should provide for an adequate segregation of duties so that no one individual controls all phases of a transaction. When it is not practical to segregate duties, procedures should include compensating controls, such as having management review the work performed by staff. To further mitigate the risk of error or abuse, employees should be required to log into the computerized accounting system (System) with a unique user name and private password. Although no system is foolproof, a well-designed set of control procedures can provide reasonable assurance that significant thefts of cash receipts and record-keeping errors will be prevented or detected. Cash, above all other local government assets, has the greatest potential for theft if a system of internal controls is not functioning effectively.

Although the Clerk's office had cash receipts totaling \$3.48 million in 2014, County officials have not ensured that proper internal controls have been established. The Clerk has not established written policies and procedures for cash receipts and cash receipt duties are not adequately segregated. In addition, the Clerk is not providing oversight as a mitigating control and employees are recording some cash receipts in the System under a shared generic user name. As a result, it is impossible to hold any one employee accountable in the event that errors or abuse occur. While our testing found receipts were properly recorded and deposited timely and intact, the system of controls should be improved.

Although there are no policies and procedures, there is a general understanding among employees regarding their respective duties. Cash receipts are collected in person at the Clerk's office or via mail by the Clerk, the Deputy Clerk (Deputy) and two recording clerks. Fees are collected for multiple reasons, such as copies, divorce filings and mortgage recordings. The Clerk also collects money from local attorneys to be held in a custodial account for later use. Cash receipts are collected at the front counter by any available employee. There are three cash trays belonging to the Deputy and the two other clerks at the counter that are held in unlocked drawers during business hours. As a customer comes into the office, whomever is

available will process the payment by entering the payment into the System, which automatically generates a computerized receipt. The staff member will place the cash in his or her assigned cash tray. Cash receipts received by mail are processed by the Deputy and recording clerks at their desks where they log into the System with a unique user name. At the end of the day, the two clerks and the Deputy count the cash in their respective trays, which are recounted the following day by the Deputy, who is responsible for preparing the bank deposits. Employees may void transactions in the System; however, they are not able to make changes to the accounting records once the transactions are processed. If an error occurs, employees must call customer support at the private vendor for the program to have it corrected. Minor adjusting entries are made by the Clerk or the Deputy each month. Bank reconciliations are performed by the Clerk or the Deputy on a monthly basis. Monthly, the Clerk provides the County Treasurer with copies of the bank statements and reconciliations, along with a check and report of the County's portion of fees collected. Additionally, the Clerk files the annual report of receipts and disbursements, as required by New York State County Law, with the Clerk of the Legislature.

However, these duties are not adequately segregated because the Deputy is responsible for collecting and recording cash receipts, preparing the daily bank deposits and, on occasion, performing the monthly bank reconciliations. Allowing the Deputy to access every phase of the cash receipt cycle increases the risk that an error or fraud will not be detected. In addition, the Clerk is not providing adequate oversight as a mitigating control. While the System is capable of generating reports with voided transactions and adjusting entries, the Clerk does not review these reports. Excessive voided transactions or unusual adjustments may be indications of fraudulent behavior. In addition, there are two computers at the counter, both of which are always logged into the System with a generic user name and password.² As a result, it is impossible to hold any one employee accountable in the event errors or abuse occur.

As a result of the weaknesses identified, we reviewed cash receipts for February 2015, which included 577 transactions totaling \$138,925 and found all were properly recorded and deposited intact and in a timely manner, within one business day of the transaction date. The deposits included \$11,768 in cash, \$116,490 in checks (including \$10,225 in charge account payments) and \$10,667 in custodial account draws.

² As previously discussed, cash receipts received by mail are processed by the Deputy and recording clerks at their desks, where they log into the System with a unique user name.

While we commend the Clerk and her staff for maintaining accurate accounting records and depositing moneys intact and in a timely manner, it is still essential to establish and implement adequate internal controls to reduce the risk of discrepancies remaining undetected and therefore uncorrected. Having adequate policies and procedures and ensuring duties are properly segregated prior to the start of the Clerk's successor³ will also aid in a smooth transition.

Recommendations

The Board and Administrator should:

1. Ensure the Clerk establishes policies and procedures to provide assurance that cash receipts are adequately safeguarded, accounted for and deposited intact and in a timely manner.

The Clerk should:

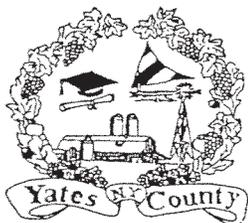
2. Establish and implement written policies and procedures that define the duties and responsibilities of each staff member within her office.
3. Ensure the incompatible duties of collecting and recording cash receipts, preparing daily bank deposits and performing monthly bank reconciliations are adequately segregated. If segregation is not feasible, the Clerk should provide sufficient oversight, such as by periodically reviewing reports from the System for voided transactions and adjusting entries.
4. Ensure each employee signs into the System using a unique user name and password.

³ The Clerk, who has served in that position for 16 years, will be retiring at the end of 2015.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

The County officials' response to this audit can be found on the following pages.



YATES COUNTY LEGISLATURE
417 Liberty Street
Penn Yan, New York 14527
Phone 315-536-5150
Fax 315-536-5166

Dr. Timothy Dennis
Chairman

Connie C. Hayes
Clerk

November 9, 2015

Chief Examiner
Office of the State Comptroller
Division of Local Government and School Accountability
110 State Street
Albany, NY 12236-0001

Re: Draft Audit Report 2015M-223

Dear Sir:

We have reviewed the draft audit report titled, Yates County Clerk Cash Receipts January 1, 2014 – August 19, 2015. We met with the examining team on November 5, 2015. Present were Julie Betts, Yates County Clerk, Winona Flynn, Yates County Treasurer, Sarah Purdy, Yates County Administrator, and Timothy Dennis, Chairman of Yates County Legislature.

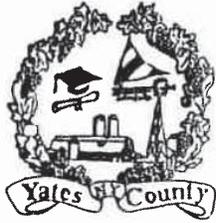
We appreciate the thorough and thoughtful approach that was used by your examiners. We are in agreement with their findings and have adopted by resolution the following policies.

The Yates County Clerk shall have in place a written policy safeguarding cash receipts and have procedures in place ensuring internal controls are followed as expressed by the office of the NYS Comptroller.

The Yates County Legislature has also reviewed and approved by resolution the Corrective Action Plan submitted by Yates County Clerk Julie Betts.

Sincerely,

Timothy Dennis



Office of Yates County Clerk

417 Liberty St., Suite 1107
Penn Yan, New York 14527
Recording Office
Tel: 315-536-5120 Fax: 315-536-5545

Julie D. Betts
County Clerk
and
Clerk of Supreme & County Courts

Virginia A. Fenton
Deputy Clerk

November 6, 2015

Chief Examiner
Office of the State Comptroller
Division of Local Government and School Accountability
110 State Street
Albany, NY 12236-0001

RE: Draft Audit Report 2015M-223

Dear Sir:

Please consider this letter my response to the draft audit report covering the period January 1, 2014 – August 19, 2015, entitled County Clerk Cash Receipts and the recommendations contained in the draft report for corrective actions pertaining to operations in the Yates County Clerk's Office.

It is understood that an audit performed by the Office of the State Comptroller is to assist local governments to manage resources and provide accountability for tax dollars spent to support government operations. Also, the objective of the audit was to examine the Clerk's cash receipt process to ensure that cash receipts were properly accounted for and deposited intact and in a timely manner.

An exit conference was held on November 5, 2015, at 2:00 PM between members of the audit team for the Office of the State Comptroller and the following County Officers:

Dr. Timothy Dennis - Yates County Legislative Chair
Sarah Purdy - Yates County Administrator
Winona Flynn - Yates County Treasurer
Julie Betts - Yates County Clerk

I agree with findings contained in the draft audit report regarding a lack of written policies and I have prepared a separate "corrective action plan" (CAP) to be submitted simultaneously with this letter detailing how I plan to correct the findings and implement adequate internal controls for the final audit.

I am satisfied that the draft audit report stated that a review of the February 2015 cash receipts totaling \$138,925 for 577 transactions were all found properly recorded and deposited intact within one business day of the transaction date.

The corrective action plan (CAP) contains:

- 1) Policies and Procedure
A written procedure describing the method for collecting cash receipts to assure cash receipts are safeguarded.
- 2) Duties and Responsibilities for Staff Members
A written policy describing the duties and responsibilities of the four staff members who operate within the Recording Office Section of the County Clerk's Office. This includes the County Clerk, Deputy and two recording clerks.
- 3) Segregation of Duties
A written policy requiring different employees for handling money, making daily bank deposits and reconciling monthly bank statements.
- 4) Using a Unique User Name and Password
A written policy requiring the use of an individual employee's Sign-On to the
[REDACTED]

Thank you.

Very truly yours

Julie D. Betts
Yates County Clerk

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to determine if cash receipts in the Clerk's office were properly accounted for and deposited intact and in a timely manner. To accomplish the objective, we interviewed County officials and employees, tested selected records and examined pertinent documents for cash receipts from January 1, 2014 through August 19, 2015. Our testing included the following steps:

- We interviewed County officials and employees to gain an understanding of the County's operations and procedures for cash receipts.
- We reviewed minutes of the Board's proceedings and County policies as they related to the scope of our audit.
- Using a computerized random number generator, we selected the month of February 2015 to compare the monthly cash receipt journal to the corresponding deposit slips and bank statement. We reviewed all 577 cash receipts in the accounting records for the sample month totaling \$138,925. Additionally, we reviewed the bank deposit tickets and deposit composition images to determine if the deposits were intact and made in a timely manner.

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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