

Ontario County

Sheriff's Department Civil Division Operations

MAY 2019



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Ontario County

Audit Objective

Determine whether the Sheriff's Department (Department) properly accounted for the financial operations of the civil division (Division).

Key Findings

Department and Division officials did not ensure:

- Clerk duties were adequately segregated or compensating controls were implemented.
- Receipts were issued for all payments received.
- Audit trail reports were reviewed to ensure that unauthorized changes were not made to payee information.

Key Recommendations

- Adequately segregate duties or implement compensating controls.
- Issue receipts for all civil judgments.
- Review audit trail reports for any unauthorized changes.

County officials agreed with our recommendations and have initiated or indicated they planned to initiate corrective action.

Background

Ontario County (County) is located eight miles outside the City of Rochester. The County is governed by a 21-member Board of Supervisors (Board).

The Department provides services under the supervision of an elected County Sheriff (Sheriff). In addition to certain other law and public safety enforcement duties, the Department is responsible for Division operations. The Sheriff appoints a sergeant as the Division supervisor to oversee two clerks.

Quick Facts

Population	110,000
2018 Revenues, Appropriated Reserves and Fund Balance	\$223.7 million
2018 Civil Division Collections	\$2.2 million
2018 Civil Actions Processed	1,894

Audit Period

January 1, 2017 – December 17, 2018

Civil Division Operations

The Sheriff is responsible for recording, processing and serving civil court orders through the Division. The types of civil processes include the following: orders of attachment,¹ civil arrests, evictions, family court orders, income executions,² orders of seizure, orders to show cause, property executions, subpoenas, summonses and Sheriff's sales. Two Division clerks (clerk A and clerk B) are responsible for collecting, maintaining and disbursing money connected with these judgments. Clerk A is primarily responsible for the cash receipts process, while clerk B is primarily responsible for the cash disbursements process.

How Should the Division Protect Cash Assets?

Appropriately designed internal controls help ensure that civil division operations are adequately segregated to prevent one employee from having access to assets and responsibility for maintaining the accountability or authorizing transactions affecting those assets. For example, one employee should not be responsible for all phases of a transaction, such as collecting cash, preparing bank deposits and recording cash transactions in the accounting records. When it is neither practical nor cost-effective to segregate these duties, compensating controls, such as providing additional oversight, should be put in place to help reduce the risk of unidentified errors or fraud.

New York State General Municipal Law (GML)³ requires every public officer or employee, where no other evidence satisfactory for purpose of audit is available, to issue a consecutively numbered duplicate receipt. As outlined in the Division's standard operating procedures manual (manual), the Division is responsible for establishing and maintaining strict controls, close supervision and internal monitoring of all financial transactions. The manual and GML,⁴ both require that receipts be issued for all cash transactions.

Division Controls Are Not Adequately Designed to Protect Cash Receipts and Disbursements

Duties in the Division office have not been adequately segregated. Clerk A's duties include opening the mail, collecting payments in the office, creating debtor accounts,⁵ recording cash receipts, sending satisfaction notices,⁶ returning uncollectable executions and preparing deposit slips.

1 A court order directing the Sheriff to seize property of a defendant to satisfy a judgment won by the plaintiff.

2 A legal order requiring an individual or their employer to pay a portion of gross wages for money owed.

3 New York State General Municipal Law, Section 99-b

4 Ibid.

5 An individual who owes a sum of money due to a civil judgment.

6 A document signed by the party owed the money judgment stating that the full amount due on the judgment has been paid.

The supervisor or another available deputy make deposits daily. Clerk A prepares a daily cash report that is attached to a copy of the corresponding deposit slip and a monthly cash report that is submitted to the supervisor and the Sheriff.

While the supervisor reviews these reports and makes the deposits, he does not provide oversight of clerk A's duties. As a result, clerk A has opportunity to make errors or misappropriate funds before preparing the deposit because she performs most duties within the cash receipt process. Further, Division staff do not prepare and send receipts to those individuals who mail payments as required by the manual and GML. Providing debtors with periodic account statements showing how payments are applied and current principal balances may further serve to detect errors and/or deter fraudulent activity.

Clerk B's duties include preparing the disbursements list, printing checks, mailing checks and preparing monthly disbursement reports. She is also responsible for preparing the monthly bank reconciliations and is able to create and update disbursements and case information without prior authorization.

Clerk B prepares a disbursement list report to verify that the disbursement amounts are correct. If there are no errors, she prepares and prints the checks, which are then given to the supervisor or his designee, to sign and mail. However, the supervisor does not review the software program's audit trail reports for changes to payee information.

Additionally, although the mechanical signature devices are controlled by the supervisor and locked in the Division safe, the supervisor's signature is automatically printed on the checks without any required prior authorization. Further, the manual's guidance regarding check signatures is out-of-date and does not reflect the current Division practices.

A copy of the monthly bank statement and the bank reconciliation are sent to the County's internal auditor. However the internal auditor's review of these records does not include tracing the canceled check images to the disbursements list to ensure all the payees and amounts match, a necessary step given clerk B's access to change disbursement information in the accounting program.

Because of these control weaknesses, we compared the information entered into the recordkeeping system with the original court documents provided to the Division during May 2018.⁷ Of the 45 income executions recorded that month, we found that proper supporting documentation was maintained for all the cases. In addition, the recorded judgment amounts matched the court documents for all the cases and the fees and mileage⁸ retained were correctly calculated.

⁷ Refer to Appendix B for information on our sampling methodology.

⁸ The Sheriff is entitled to fixed fees and mileage reimbursement for collecting money as the result of an income execution.

We reviewed the cash receipts journal to determine whether the amounts recorded agreed with amounts deposited for the period May 1 through May 30, 2018. We also reviewed the composition of deposits for the month to determine whether the amounts agreed with those listed in the cash receipts journal and whether deposits were made in a timely manner.

We found that all 963 recorded cash receipts totaling \$699,653 for the month agreed with the amounts deposited and the deposit compositions matched the recorded cash receipts. We also found that, in general, deposits were made in a timely manner based on the number of days between the check date and the deposit dates.

We reviewed all disbursements made during June 2018 and found that all outgoing payments agreed with incoming cash receipts and all were for appropriate purposes.

Although our testing did not disclose any fraud or abuse, opportunity for such exists due to the way duties are currently divided and the lack of compensating controls.

What Do We Recommend?

The Sheriff and the Division supervisor should ensure:

1. To the extent possible, clerk duties related to collecting and disbursing money, recordkeeping and preparing bank reconciliations are adequately segregated or compensating controls are implemented.
2. Receipts are issued for all civil judgments.
3. Prior authorization is required before disbursement checks containing the supervisor's electronic signature are printed.
4. Audit trail reports are reviewed for any unauthorized changes.
5. Division policies and procedures are updated to reflect actual current practices.

Appendix A: Response From County Officials



Office of Sheriff County of Ontario

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Kevin M. Henderson
Sheriff

David J. Frasca
Undersheriff

May 2, 2019

Office of the State Comptroller
Division of Local Government and School Accountability
PSU-CAP Submission
110 State Street, 12th Floor
Albany, New York 12236

Deputy Comptroller Deyo:

This letter is to serve as Ontario County's response to the Comptroller's findings for recent examination of Ontario County as well as its Corrective Action Plan to address the findings and recommendations in the Report of Examination letter dated April 2019. I would like to thank you for the opportunity to work collaboratively with the Comptroller's Office to improve operations related to the Office of Sheriff Civil Division and value the input you have provided within your report. The Office of Sheriff Civil Division is an accredited division pursuant to New York State Sheriff's Association and received its accreditation on March 31, 2016.

Summary of Findings

After review of all cash receipts during the month of May 2018 and all disbursements made during the month of June 2018 the State Comptroller's Office determined that, in general, deposits were made in a timely manner and all outgoing payments agreed with incoming cash receipts and all disbursements were for appropriate purposes. The State Comptroller's Office was able to identify areas in which the Office of Sheriff Civil Division may be able to improve operations and compensating controls.

Recommendations

The Sheriff and Civil Division Sergeant should ensure:

1. To the extent possible, clerk duties related to collecting and disbursing money, recordkeeping and preparing bank reconciliations are adequately segregated or compensating controls and implemented.

The Office of Sheriff Civil Division is sending an additional clerk to Civil School for certification which will provide enough staff to adequately segregate duties and enhance compensating controls as indicated to ensure appropriate oversight and review of activities within the office. The Office of Sheriff Civil Division is

collaborating with the Ontario County Department of Finance to enhance the process associated with the monthly bank reconciliation review currently performed by the County's Manager of Audit.

2. Receipts are issued for all civil judgments.

The Office of Sheriff Civil Division has reviewed operations to ensure the issuance for receipts for all civil judgments.

3. Prior authorization is required before disbursement checks containing the supervisor's electronic signature are printed.

The Office of Sheriff has assigned an additional clerk specific duties related to disbursements in the Civil Division to ensure appropriate review of disbursement checks prior to the application of an electronic signature for printing.

4. Audit trail reports are reviewed for any unauthorized changes.

The Civil Sergeant for the Office of Sheriff Civil Division will more fully document the review of audit trail reports occurring on a regular basis.

5. Division policies and procedures are updated to reflect actual current practices.

The Office of Sheriff will review current policies and procedures related to cash receipts and disbursements and fiscal oversight of the Civil Division and will, as appropriate and in accordance with recognized accreditation practices, update documentation and/or staff duties within the office.

This response and Corrective Action Plan has been reviewed and approved by the Ontario County Board of Supervisors' Public Safety and Ways and Means Standing Committees on May 1, 2019 and is expected to be approved by the full Board of Supervisors at its meeting on Thursday, May 9, 2019. An official resolution from the Board of Supervisors will be filed upon approval. Should you have any additional questions, please feel free to contact us.

Sincerely,

Sheriff Kevin M. Henderson


Mary A. Krause
County Administrator

cc: John F. Marren, Chairman of Board
Holly A. Adams, County Attorney
Mary M. Gates, Director of Finance

Appendix B: Audit Methodology and Standards

We conducted this audit 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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed the supervisor and staff to gain an understanding of Division operations.
- We reviewed County policies and procedures and the Division's standard operating procedures manual.
- We compared the information entered into the recordkeeping system to the original court documents provided to the Division for one judgmentally selected month (May 2018). We also verified that the judgment amounts were properly entered and the correct fees and mileage were paid that month.
- We reviewed all disbursements for one judgmentally selected month (June 2018) and traced all disbursements for the month to the May 2018 cash receipts journal to determine whether these payments matched incoming cash receipts.
- We reviewed the cash receipts for one judgmentally selected month (May 2018) to determine whether the amounts posted in the cash receipts journal from May 1, through May 30, 2018 agreed with amounts deposited in the bank. We also determined whether the composition of deposits agreed with the amounts listed in the cash receipts journal and evaluated the timeliness of the deposit for our sample month.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). 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.

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 the relevant population size and the sample selected for examination.

A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided 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 the CAP available for public review in the County Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/localgov/costsavings/index.htm

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/localgov/planbudget/index.htm

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/localgov/pubs/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/localgov/finreporting/index.htm

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/localgov/researchpubs/index.htm

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/localgov/academy/index.htm

Contact

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