

Sheriff's Office

Civil Division

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Comptroller's Summary

Organization and Background

The Sheriff's Office Civil Division is responsible for the execution of civil processes and mandates of the courts. Duties of the Civil Division include property executions and seizures, income executions and evictions.

In April, 2006 the Civil department implemented a new software system called CivilServe to aid in the recordkeeping of the administrative office.

Audit Scope and Objective

The objective of our audit was to review and assess the adequacy of internal controls over the Civil Division's collections, disbursements and recordkeeping for the period April, 2006 – March 31, 2009.

An average of \$3,200,000.00 is deposited and disbursed annually through the Civil department's bank account. The Civil Division's average annual fee collection revenues were reported as \$500,000.

Summary of Findings

Oversight and monitoring by management was deficient. Administrative controls and day to day accounting processes had deteriorated resulting in significant internal control deficiencies. Funds were not properly safeguarded and accounted for. Accounting records were inaccurate and funds misappropriated over an extended period of time. The department discovered a total of \$60,142.07 missing.

Detailed Findings

Control Environment

Control environment is the internal control and control consciousness established and maintained by both management and employees and supports compliance with laws, rules, regulations, and management directives. Management is responsible to educate employees regarding the importance of internal controls.

Findings

- The Civil Department's control environment was not adequate to properly safeguard and account for funds. Specifically,
 - The administrative procedure manual governing day to day accounting operations was outdated and incomplete. In addition, it was not consistently utilized as an operating guide for employees to perform their daily tasks.
 - Duties were not properly segregated and checks and balances were not in place. Available functions in CivilServe were not utilized to enforce separation of duties.

- Management did not institute and enforce daily oversight procedures including verifications of transactions, cash handling, recordkeeping, banking and reconciliations.
- CivilServe was not properly integrated into department procedures to manage case tracking and funds and ensure adequate internal controls. Management and staff were unaware of CivilServes capabilities available to support and enhance internal controls.
- Computer security authorizations were not limited which provided the opportunity to override inherent controls for cash receipting. Selected employees had access to set the security levels for transaction handling.

Recommendations

- The Sheriff's Office should perform a comprehensive review of all office functions to ensure controls are adequate to properly account for and safeguard funds. Specifically,
 - The administrative procedures manual should be updated and utilized by employees for daily operations.
 - Duties should be properly segregated and checks and balances put in place. On-going reviews of office procedures should be instituted to ensure internal controls are functioning at all times.
 - Management should institute and enforce daily oversight procedures of transactions, cash handling, recordkeeping, banking and reconciliations.
 - CivilServe should be fully integrated into department procedures taking advantage of available control features.
 - CivilServe authorization controls should be reviewed. Consideration should be given to placing administrative control authorization with the County's computer information center with management review and approval for all changes.

Communication

Communication is the exchange of useful information between and among people within the organization to support decisions and coordinate activities.

Finding:

- There was a lack of formal communication to employees on processes, procedures, job assignments and responsibility to reinforce internal controls.

Recommendation:

- Consistent formal and informal communication must be instituted to promote and support a strong control environment. Roles and responsibilities of personnel including management must be clearly defined, documented and communicated. Specifically,
 - The administrative manual should be updated to institute formal methods of communication to disseminate guidelines, policies, procedures.

- Management and employees should be trained on the operation and capabilities of the software and utilize the software to support a strong control environment.
- Employees should be continuously updated on policies and procedures and encouraged to communicate with management.

Risk Assessment

Risks are events that threaten the accomplishment of objectives which ultimately impact an organization's ability to function effectively and efficiently. Specific risk factors identified in the Civil Department included: the large volume of cash/checking transactions and the implementation of a new software system

Findings

- Management did not consistently identify, assess and address risk factors as evidenced by:
 - Absence of updated policies and procedures.
 - Duties were not properly segregated to ensure checks and balances particularly with regards to the handling of cash and disbursement of checks.
 - Planning for changes and updates to accounting practices, job responsibilities and internal controls as a result of CivilServe was not evidenced.

Recommendations

- Management should assess and identify risks on an on-going basis with specific attention to opportunities for fraud. Action should be taken to address significant events that threaten internal controls and that create opportunity for bypassing internal controls.
 - Review and update policies and procedures. Periodic assessments should be done on an ongoing basis.
 - Management should periodically review job duties to ensure proper checks and balances.
 - Updates to the software system should be assessed prior to use by the department for any internal control exposures or improvements. Operational changes should be implemented and documented in the department procedures manual and personnel should be trained in all changes.

Control Activities

Control activities were reviewed for policies, procedures, and tools that would help prevent or reduce risks, ensure data integrity, and allow for the effective and efficient management. *Prior to the 2006 implementation of CivilServe, the department had written defined policies and procedures which included checks and balances. As time went on controls over cash receipts, cash disbursements and reconciliations were eliminated.*

Cash Receipts

Findings

- Cash receipting functions were not properly segregated. . There was no segregation of duties between cash receipts and preparing deposits and cash reporting.
- Documented department procedures and best practices were not adhered to:
 - Funds including a signed transmittal report were given daily to a designated employee who did not follow the established procedure of signing for the receipt of funds.
 - Checks and cash were not deposited in a timely manner. Delays in deposits ranged from days to months. Some funds were never deposited. Management did not verify deposit amounts to the original transmittal reports to ensure all funds were accounted for and did not ensure deposits were made daily.
 - Cash was reported returned despite the department policy that a check be issued.
 - Cash receipt reports were not consistently printed, reviewed or approved by management to actual daily deposits. Checks received were recorded using the date the check was written, instead of the date of receipt.
 - Deposit reconciliation reports were not consistently filed with the deposit documentation.
- CivilServe had a hold function for checks to ensure monies were not made available until a check cleared the bank. However, this function was also inappropriately used for cash.
- There were unexplained and undocumented cash entries totaling \$3,471.26 listed in the system as 'void or bounced'.
- Cash receipt records were changed without supporting documentation or transaction detail.

Recommendations

- Procedures should be implemented to address all of the above findings to ensure proper internal controls. Management should review processes employees are currently authorized to perform in CivilServe and establish appropriate internal control procedures for cash receipting and depositing which include separation of duties, recordkeeping, oversight, authorization and verification.

Disbursements

Findings

- Job duties were not segregated. The employee who printed checks was responsible for receiving and preparing the daily deposit. In addition, this employee also had the responsibility to reconcile the bank account and had authorizations to do voids/reissues and authorizing entries in CivilServe. When issuing checks, checks were manually prepared for mailing and the check folding/sealing machine was not used.

- Management did not review monthly disbursement checks, voided checks and disbursement reports as required in the administrative manual:
 - As a result altered records were not identified in a timely manner.
 - Checks to Dutchess County Commissioner of Finance were not disbursed monthly.
 - Checks were voided without management oversight and authorization. Documentation supporting reissued checks was not available.
 - Check information such as payee and amount was changed without approvals or oversight.
 - The disbursement report listing check numbers, payees and amounts were not reviewed by management.
 - Controls were not in place to prevent issuance of a duplicate check number.

Recommendations

- Job duties must be properly segregated. Internal controls regarding the disbursement of funds should be written and adhered to. The disbursement check folding/sealing machine should be utilized to minimize the manual handling of checks.
- All disbursement checks and a monthly ‘check detail report’ should be reviewed and approved by management.
 - Anomalies should be noted and investigated by management.
 - Management should ensure county revenue is correctly disbursed to the Commissioner of Finance monthly.
 - Management authorization should be required to void transactions.
 - Management should review and verify the monthly distribution of checks.
 - Management authorization should be required for check alterations.
 - Controls should be implemented to ensure employees cannot reprint the same check number once it is released.

Bank Reconciliations and Adjustments

Findings

- Reconciliation duties were not properly segregated. The same employee who prepared deposits and issued disbursement checks was responsible for bank reconciliations, including bank adjustments and the posting of account adjustments in CivilServe.
- Between 2007 and 2008 numerous bounced checks totaling thousands of dollars were returned to the Civil department. The department could not locate any documentation for \$537.00 of the bounced checks returned.
- Adjustments (voids, deletions and additions) made to individual accounts were not evidenced by management review, verification and oversight.
- There was no oversight or verification by management on reconciliations. Bank accounts were not reconciled for approximately two years. An accurate listing of outstanding checks and bank adjustments were not available for each month. And more importantly, cash on hand which was approximately \$100,000 - \$350,000 each month could not be completely and accurately identified to individual records.

Recommendations

- Job duties regarding reconciliations and adjustments must be segregated.
- Processes for handling bounced checks should be documented and adhered to and include management authorization and monitoring.
- Adjustments should be authorized by management. Documentation should be available for audit review to support all adjustments.
- Bank reconciliations should be performed monthly and management should review and initial bank reconciliations. The bank reconciliation should be supported by a listing of outstanding checks, adjustments and an analysis of remaining funds (cash on hand). Management should review all monthly documentation and require immediate documented review of discrepancies.

Monitoring

Monitoring is the review of an organization's activities and transactions to assess the quality of performance over time and to determine whether controls are effective. Monitoring is most effective, when all employees understand the organization's mission, objectives, responsibilities, and levels of risk tolerance

Findings

- Management did not perform ongoing monitoring activities regarding the receipting, depositing, cash handling, reconciliation and transaction reporting.
- Management was not aware of and therefore did not utilize available CivilServe reports to assess recordkeeping.
- Effective policies and procedures were not in place to monitor all major control activities.

Recommendations

- Management should undertake ongoing monitoring activities for all accounting activities.
- Management should gain an understanding and utilized pertinent reports from CivilServe to ensure key control activities are monitored.
- Effective policies and procedures to monitor control activities must be implemented.