



**proud past, promising future**

**CLARK COUNTY**  
WASHINGTON

**AUDITOR**  
**GREG KIMSEY**

---

# **Sheriff's Office Support Branch Receipting Controls Audit**

**Clark County Auditor's Office  
Report #04-2**

**February 11, 2004**

**Audit Services**

1300 Franklin Street Suite 575, P.O. Box 5000, Vancouver, WA 98666-5000

---

(360) 397-2078, Fax (360) 397-6007, [www.clark.wa.gov/auditor](http://www.clark.wa.gov/auditor)

This page intentionally blank

Clark County Auditor's Office  
Sheriff's Office: Support Branch Receiving Controls

TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY</b>	<b>5</b>
Objectives, Scope, and Methodology	5
Summary of Findings and Recommendations	5
Commendation	5
<b>BACKGROUND</b>	<b>6</b>
Request	6
Organization	6
Collection Points	6
<b>ANALYSIS OF CONTROLS</b>	<b>7</b>
Strengths	7
Changes Made During Review	7
Risk Assessments Encourage New Ideas	8
Items to be Resolved	8
Guidelines for Implementing Future Changes	10
<b>RECAP OF RECOMMENDATIONS</b>	<b>12</b>
<b>APPENDIX A</b>	<b>13</b>
OBJECTIVES, SCOPE, AND METHODOLOGY	13
<b>APPENDIX B</b>	<b>14</b>
RECEIPT STATISTICS	14
<b>APPENDIX C</b>	<b>15</b>
DEPARTMENT COMMENTS	15

This page intentionally blank

## **EXECUTIVE SUMMARY**

We have completed an audit of receipting controls in the Clark County Sheriff's Office Support Branch. Our audit, performed in accordance with generally accepted government audit standards, is intended only to conclude on the stated objectives of this audit. Our review differs from an examination of financial statements and records for the purpose of expressing an opinion thereon, and accordingly we do not express such an opinion.

### ***Objectives, Scope, and Methodology***

The objectives of this audit were to determine adequacy of internal controls over receipting, compliance with procedures, and completeness of the audit trail. This includes all functions from the time of receipt in the Sheriff's Office support branch to its fiscal unit's recording and reconciling of transactions.

In performing this work, we followed the methodologies detailed in Appendix A (page 13).

Sheriff's Office management reviewed and commented upon a draft of this report, and changes based upon those comments have been incorporated. The full text of management's comments on the final report is in Appendix C (page 15).

### ***Summary of Findings and Recommendations***

We found that management and staff were receptive to making improvements in their control environment, and made many changes during the course of our review. We also found that long-standing practices have sometimes been difficult to change, and some improvements, while underway or planned, have yet to be completed including: separate cash drawers; some fee reconciliations; insurance company billings; and dual access/custody of bonds and cash bails. The detailed analysis of controls starts on page 7.

### ***Commendation***

We would like to thank the many staff members from the Sheriff's Office who cooperated and assisted with this audit. Specifically, managers and supervisors were very open in discussing their operations. All managers were responsive during the course of the audit and endeavored to resolve any issues as they were raised.

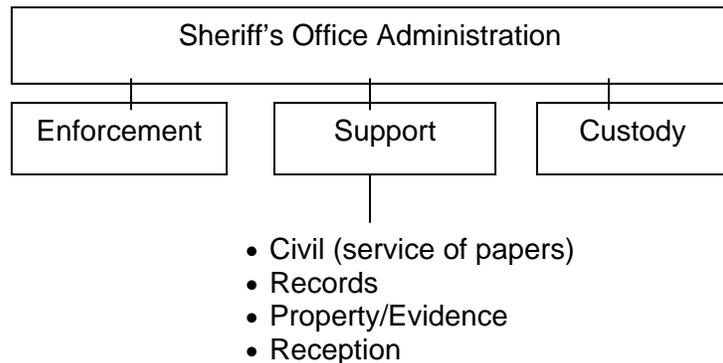
## **BACKGROUND**

### ***Request***

The Clark County Sheriff asked the Auditor's Office to review cash handling controls in the support branch including civil, records, property, and reception, as well as controls and reviews through to the fiscal unit. He noted the branch had implemented a number of changes over the past three years which may have inadvertently created gaps in their control systems. Recommendations from our office would assist the Sheriff's Office planned updating of support branch policy and procedure documents beginning in January 2004.

### ***Organization***

The support branch provides administrative and logistical services and support to the employees and programs of the Clark County Sheriff's Office (CCSO), other criminal justice agencies, and the public.



### ***Collection Points***

The support branch collects money for various purposes and locations including:

- Civil: service fees; fingerprint fees; gun permits.
- Records: report copies; bails and fines (collected for District Court and Superior Court at night and on weekends; collected for other courts, such as municipals and other counties, at all hours).
- Property: evidence and found money.
- Reception: inmate commissary deposits.

The support branch collects over \$1 million annually, exclusive of the property/evidence unit. More details on these fees, including a summary of annual volume, are shown in Appendix B (page 14).

## **ANALYSIS OF CONTROLS**

### ***Strengths***

In the following sections, we detail our analysis of control strengths and changes made during 2003, as well as planned or recommended improvements.

As we started our review, we found that the support branch had procedures providing some strengths and audit trails in its receipting processes, including:

- Good physical security, with counters and drop safes.
- A strong interest in having adequate controls, with managers setting the tone, stating that the public expects accountability.
- Written procedures.
- Receipts given for each transaction (cash register receipt at civil, commissary system receipt at reception, or bail receipt at records).
- Reconciliations of most types of transactions.
- Two people count cash when cash bail is received.

### ***Changes Made During Review***

Based on our review work and discussions, management and staff made the following improvements to receipting controls during calendar year 2003, and we commend their actions:

In reception:

- Revised written procedures to add controls including daily area inspections, details on making adjustments, supervisory validation, primary money handling assignments, and physical protection of money.
- Started dual custody when removing cash from the safe, with the support branch supervisor and a fiscal unit employee reconciling the transactions each day.
- Started random inspections and observations by the Support Chief and Finance Manager.
- Enforced use of individual identification in recording transactions.
- Modified the drop safe to ensure envelopes are secure.
- Removed the shredder from the area and reduced the number of garbage cans.
- Corrected the system clock, which was off by 8 to 10 minutes, so receipts are accurately recorded.

In records:

- Began endorsing checks upon receipt<sup>1</sup> (previously, checks were not endorsed until the deposit was prepared).
- Updated the signature authorization for the imprest checking account.

In civil:

- Disposed of a commercial (“Redi-form”) receipt book. If computer or cash register receipts are not available, such as during a power outage, official county pre-numbered receipts will be used.
- Resolved tracking and crediting problems of receipts coming through electronic fund transfers (EFT’s). Direct deposit now means accounts are credited timely and fewer checks are handled (and need to be controlled).

***Risk Assessments  
Encourage New Ideas***

During 2003, we conducted three risk assessments with the support branch and fiscal unit. During these meetings, we facilitate a structured review to identify:

- all possible risks in the area,
- existing preventive controls for each risk, and
- existing detective controls for each risk.

Using this approach allows managers to identify areas of uncontrolled risk. Once identified, the managers develop an action plan to address the risks. For example, when we talked about the risk of loss from mishandling insurance company checks, managers realized that checks could be received but not properly deposited. They were able to put in controls, including immediate restrictive endorsement of checks. A longer term solution will be to bill insurance companies (discussion, next page).

***Items to be Resolved***

During the risk assessment sessions, management and staff identified and resolved many issues. Many of the items listed above in “Changes made during review” were implemented following these sessions. In addition, the following items are being discussed for resolution:

---

<sup>1</sup> These controls are required by the Washington State Auditor’s Office Budgeting, Accounting, and Reporting System (BARS) manual.

1. Separate cash drawers at the civil counter: Three staff work from the same cash drawer. This practice prevents managers from being able to fix responsibility for transactions to an individual. **We recommend** a high priority be placed on separating the activity into distinct cash drawers.
2. Reconciliation for clearance letter payments: When citizens ask for a copy of their own criminal record (usually for employment), the records unit creates the “clearance letter” and the citizen pays a fee at the civil counter. **We recommend** a daily reconciliation of letters issued to fees paid, confirming that all fees are collected.
3. Bill insurance companies rather than handle checks for each report copy request: Insurance companies currently send a \$5 check for each accident report copy requested. We identified several internal control issues around the receipt of these fees including: mail distributed among staff, unopened, rather than centrally opened and controlled; checks not endorsed when the mail was opened; receipts not logged; and checks not immediately deposited but often held for many days while staff determined if there was a CCSO report. Management expects to change from this pre-pay method to a monthly billing by the end of January 2004. This will solve the control issues<sup>2</sup> and has the added customer service benefit of reducing the number of small checks written by insurance companies each month (50 to 100 checks from each of the major carriers). **We recommend** that this conversion take place.
4. Dual custody to access bail safe: Two keys to the bail safe must be used at the same time, but the two keys are kept together, and a large number of staff know where the keys are kept. Each weekday morning, one records staff member pulls the cash and bail bonds from the safe, verifies to the computer records, and prepares deposits if

---

<sup>2</sup> These controls are required by the Washington State Auditor’s Office Budgeting, Accounting, and Reporting System (BARS) manual.

necessary (if cash has been received). **We recommend** that the two keys be separated so that two employees must access the safe together. The reception desk has implemented this procedure for their safe, with one key held by the fiscal unit. **We further recommend** that dual custody be maintained throughout the verification and deposit preparation process.

5. Deposit of cash property/evidence: Deputies who take cash evidence are not marking the evidence as either “deposit” or “hold,” so the Property Unit is holding all cash until the case is completed; the amount now being held is about \$48,000. This results in some lost interest earnings, a greater number of cash evidence bags for the annual inventory, and although the chance of theft from the safe is low, a greater amount of money would be at risk. **We recommend** that the Sheriff’s Office, in consultation with the Prosecuting Attorney’s Office, develop criteria and procedures so that most cash evidence can be deposited regularly.

***Guidelines for  
Implementing Future  
Changes***

The Civil Support Chief plans to rebuild several processes to provide better customer service. For instance, a citizen applying for a gun permit currently picks up paperwork at reception, goes downstairs to pay at the civil counter, and returns to reception for fingerprints and submitting papers. There are other examples of “bouncing around” and part of the solution may be to modify the location of cashiering functions.

We are encouraged by the many controls management either has in place or is planning to add. As the plan unfolds for improving customer service, **we recommend** that management maintain the existing strengths and consider the following guidelines for controlling money, establishing accountability/audit trail, providing additional employee training, prioritizing changes, restricting adjustments, reconciling records, and monitoring processes.

1. Control money at the point of entry: Continue to use a cash register or drop safe for over-the-counter receipts. For mail, have two people open

mail, log receipts, and endorse checks immediately.

2. Ensure accountability: Use separate cash drawers for each employee who accepts money from the public. Accountability also means separating duties so no single person controls a transaction from the time of receipt to the time of recording in the accounting records and reconciling, and to show the transfer of responsibility (chain of custody) between each of those functions.
3. Train employees: Make sure employees understand procedures, and periodically practice unusual transactions as part of the training (examples: computer system down; customer requests void on completed transaction; identify and handle counterfeit bills).
4. Prioritize and phase-in changes: Several customer service changes are contemplated, and **we recommend** changes be made in phases rather than all at once. Whenever possible, changes to improve controls should be implemented first.
5. Restrict and monitor adjustments and voids: Transaction adjustments (including voids) are a high-risk area for error and fraud in any organization. **We recommend** that the ability to adjust transactions after the fact be restricted as much as possible, usually requiring a supervisor's override or performed only by the fiscal unit.
6. Reconcile: As previously mentioned, most areas have reconciliation processes. In civil, the cash register is balanced daily but **we recommend** an independent reconciliation of revenue to activity. This would best be done by the fiscal unit, for independence, and should be done at least monthly.
7. Monitor and adjust processes: As changes are made, management has the responsibility to monitor that the controls are effective. Through monitoring, managers can identify if they need to change procedures or provide additional staff

training. Management can consult with our office if any areas remain problematic, and we can help analyze the situation and propose solutions.

## **RECAP OF RECOMMENDATIONS**

Our recommendations cover a range of control improvements including separation of duties, reconciliations, billing changes (which will also improve efficiency and customer service), and physical access to/control of assets. This report provides examples of best practice guidelines to be used as the support branch makes future infrastructure changes.

We are encouraged by support branch management and fiscal unit's efforts and believe they will be successful in implementing a model control system.

The full text of the Sheriff's Office management comments and plans are in Appendix C (page 15).

## APPENDIX A

### **OBJECTIVES, SCOPE, AND METHODOLOGY**

The objectives of this audit were to determine:

1. Do procedures, as designed, provide adequate internal control? Would changes enhance controls and be cost-beneficial?
2. Are procedures followed?
3. Is there a complete audit trail, allowing for tracing and vouching of transactions?

To meet these objectives, we:

- For general background: reviewed and summarized reports from other external reviews; reviewed Sheriff's Office policies on cash handling; reviewed our related prior reviews.
- Interviewed staff and managers.
- Evaluated the accuracy of records; traced to source documents; observed the receiving of money, deposit preparation and corresponding records.
- Conducted risk assessment sessions with management. These sessions were designed to identify varieties of possible risks, list the current controls, and evaluate where controls may need to be added or modified.

Additionally, we performed fraud detection procedures. For this review, we performed revenue history and trends analysis.

**APPENDIX B**

**Sheriff's Office Support Branch  
RECEIPT STATISTICS**

Type of income	Section where received	Annual volume (unaudited)		Comments
		Number of Transactions	Dollars <sup>3</sup>	
Inmate commissary	Reception	15,000	\$460,000	Average amount: \$31
Bails/Fines	Records	370	\$230,000	cash portion only; does not include value of bail bonds
Gun permits	Civil	3,500	\$135,000	Fees: new \$60; renewal \$32; replace \$10; late +\$10
Service	Civil	7,000	\$130,000	Average about \$20; varies based on type of service and mileage
Fingerprints	Civil	2,000	\$20,000	Fee: \$10 first two sets; \$3 each additional
Report copies	Records then Civil	4,000	\$20,000	Charge is \$5
Misc. (clearing, property)	Civil	not available	\$10,000	

Note: in addition, about \$48,000 was in cash evidence at 11/24/03

<sup>3</sup> Dollars for inmate commissary are estimated based on March 1 to April 15, 2003; bails/fines are estimated based on January to mid-November, 2003; all others based on approximate three year average, 2001 to 2003.

**DEPARTMENT COMMENTS**



**Garry E. Lucas**  
*Sheriff*

February 9, 2004

Greg Kimsey  
Clark County Auditor  
P.O. Box 5000  
Vancouver, WA 98666

Dear Greg,

The Clark County Sheriff's Office appreciates the effort, professionalism and thoroughness of the Support Branch Receipting Controls Report and related recommendations. As reflected in the report, a number of changes have been made through joint cooperation between the Auditor's Office and the Support Branch management. The recommended changes have been given serious consideration and several have already been implemented. In particular:

- As of February 23, 2004, insurance companies will be notified of the new billing procedure and discontinuation of accepting individual checks.
- During the week of February 16, 2004, the supervisors and management of the Support Branch will tour the Community Corrections Department to observe the cash handling procedures of the same type recommended for the Civil Unit. Work will continue to separate cash drawers and improve the system during the spring of 2004.
- As of February 9, 2004, the bail safe keys are located in separate locations (one in the Civil Unit and one in Records) with specific guidelines outlining how to secure each key separately and designating dual custody of the bail money during verification.

- Our Evidence Manger will be reviewing procedures regarding cash held as evidence in an effort to deposit cash and not to physically hold it in the evidence safe.
- The reconciliation of clearance letter payments will be reviewed and resolved during the summer of 2004. There have been rapid changes in the Records area, and we will take the Auditor's advice of slow change when working on this issue.

As we continue with our planned service upgrades, we will maintain our existing controls, while taking into consideration the helpful guidelines suggested in this report for controlling money, establishing accountability, training and other recommendations for implementing future change. In addition, I plan to continue the close working relationship we have with your staff as we phase in changes.

In closing, the professional and helpful approach of the Auditor's staff has been appreciated at all levels of our organization and we thank you for your assistance.

Sincerely,

Garry E. Lucas  
Sheriff