



Schuyler County Sheriff's Department

Payroll, Civil Fees, and Bail

Report of Examination

Period Covered:

January 1, 2011 — February 28, 2013

2013M-120



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

August 2013

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 County 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 Schuyler County Sheriff's Department entitled Payroll, Civil Fees, and Bail. 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 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*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

Schuyler County (County) is located in the Finger Lakes Region of New York State and has a population of 18,340. The County is governed by eight part-time Legislators. The Chairman of the Legislature is the County's Chief Executive Officer; however, the Legislature appoints a Chief Administrative Officer who acts as the supervisor of County administrative functions. The County's budgeted appropriations for 2013 are \$45.2 million. The County Sheriff's Department (Department) appropriations total \$2.9 million, or 7.2 percent of the general fund budget.

The Department is overseen by an elected Sheriff, who is assisted by an Undersheriff. The Department provides services such as road patrol, criminal investigations, operation of the County correctional facility, County building security, civil processing, and education and prevention programs in schools. The Department has 45 full-time and 19 part-time employees who conduct road patrol or staff the corrections facility and Emergency 911 Public Safety Dispatch Center. The Sheriff's Confidential Secretary (Secretary) is responsible for accounting for civil fees and bail.

As a consequence of our audit into the misappropriation of funds at the Monterey Fire Company,¹ the Department's jail administrator² was arrested and charged with third-degree grand larceny. As a result, we concluded that an increased risk of errors and irregularities could exist at the Department and initiated this audit. Although our audit found no issues in regards to the jail administrator's duties for the Department, we did find other weaknesses that are addressed within our report.

Scope and Objective

The objective of our audit was to examine the Department's operations for the period January 1, 2011 to February 28, 2013. Our review of payroll was limited because the 2011 overtime slips and leave request forms were destroyed. Our audit addressed the following related questions:

- Was Department payroll supported and accurately recorded and reported?
- Did the Department accurately account for civil fees and bail?

Audit Results

The County entered into an improper contract for security services with Watkins Glen International (WGI), a private entity. Over the last two years, the County has paid 351 individuals \$233,840 for

¹ Report 2013M-17 *Monterey Fire Company: Misappropriation of Funds*

² The jail administrator was also the Chief of the Monterey Fire Company and married to the Company's Treasurer, who was charged with second-degree grand larceny.

providing law enforcement services to WGI in connection with events at the racetrack. In these cases, the County improperly pays these individuals as if they were independent contractors by check based on completed vouchers and issues them an IRS 1099 form at the end of the year. As a result, no taxes are reported or withheld, and no information is reported to the State retirement systems. We also found errors with 231 of the 333 leave request forms that were available for review, 40 exceptions with the 395 overtime entries, and exceptions with eight of the nine employees' leave accruals reviewed. These errors occurred because Department supervisors did not complete a thorough review of their employees' electronic time records prior to approving them, and the Undersheriff did not review the Department's biweekly leave reports. As a result, the County could pay employees for time that they did not work or allow them to accrue time they did not earn.

The Secretary is responsible for processing all civil fees and bail received and disbursed by the Department with little to no oversight. In addition, receipts are not issued in a consecutive manner, and the Secretary did not prepare monthly reports or perform an accountability analysis. We prepared an accountability analysis as of December 31, 2012, and determined that the civil fee and bail available cash was higher than known liabilities by \$253. The handling of nearly all phases of the bail and civil fee processes by one individual without any oversight or review has allowed these errors to occur and go undetected.

Comments of Local Officials

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 findings and indicated they already have initiated, or plan to initiate, corrective action.

Introduction

Background

Schuyler County (County) is located in the Finger Lakes Region of New York State and has a population of 18,340. The County is governed by eight part-time Legislators. The Chairman of the Legislature is the County's Chief Executive Officer; however, the Legislature appoints a Chief Administrative Officer who acts as the supervisor of County administrative functions. The County's budgeted appropriations for 2013 are \$45.2 million. The County Sheriff's Department (Department) appropriations total \$2.9 million, which include \$2.1 million for salaries and wages.

The Department is overseen by an elected Sheriff, who is assisted by an Undersheriff. The Department provides services such as road patrol, criminal investigations, operation of the County corrections facility, County building security, civil processing, and education and prevention programs in schools. The Department has 45 full-time and 19 part-time employees who conduct road patrol or staff the corrections facility and Emergency 911 Public Safety Dispatch Center.

Although the Sheriff is responsible for hiring employees for the Department, the Legislature is responsible for setting wages and benefits and for formalizing them in collective bargaining agreements, individual employment contracts, and employee policies. Most Department employees are members of either the Road Patrol Association or Correction Officers Benevolent Association.

The Department is required by State mandate to receive, serve, and execute the various civil processes within the County, not only by and for the several non-criminal courts of the State and its subdivisions, but also for the legal community and general public. The Sheriff is entitled to collect a fee for performing these civil processes. The Sheriff's Confidential Secretary (Secretary) is responsible for the receipt, disbursement and accounting of civil fees, as well as the recording and disbursement of bail collected by corrections staff. The Department collected \$433,300 in civil fees and \$258,900 in bail during 2011 and 2012.

As a consequence of our audit into the misappropriation of funds at the Monterey Fire Company,³ the Department's jail administrator⁴ was arrested and charged with third-degree grand larceny. As a result,

³ Report 2013M-17 *Monterey Fire Company: Misappropriation of Funds*

⁴ The jail administrator also was the Chief of the Monterey Fire Company and married to the Company's Treasurer, who was charged with second-degree grand larceny.

we concluded that an increased risk of errors and irregularities could exist at the Department and initiated this audit. Although our audit found no issues in regards to the jail administrator's duties for the Department, we did find other weaknesses that are addressed within our report.

Objective

The objective of our audit was to examine the Department's operations. Our audit addressed the following related questions:

- Was Department payroll supported and accurately recorded and reported?
- Did the Department properly account for civil fees and bail?

Scope and Methodology

We examined the Department's processing and recording of payroll, civil fees, and bail for the period January 1, 2011, to February 28, 2013. Our review of payroll was limited because the 2011 overtime slips and leave request forms were destroyed.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS) except for the aforementioned scope limitation. More information on such standards and the methodology used in performing this audit are included in Appendix B of this report.

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 findings and indicated they already have initiated, or plan to initiate, corrective action.

The Legislature 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 the 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 Legislature to make this plan available for public review in the office of the Clerk of the Legislature.

Payroll

County officials must comply with applicable laws when entering into contracts. Payroll and related employee benefit costs are by far the largest component of nearly every local government's budget. Therefore, it is important that individuals who perform work for the Department are properly classified as employees or independent contractors. A basic goal of a payroll system is to ensure all bona fide employees are properly classified as such. Another goal of a good payroll system is to ensure that employees only receive compensation and benefits to which they are entitled. An effectively controlled payroll process includes policies, procedures, and practices that provide guidance to employees for preparing, reviewing, approving, and disbursing payroll. An important component of payroll processing is a timekeeping system that ensures the employees are accurately paid for time worked. The absence of adequate controls over timekeeping may leave a payroll system susceptible to error, abuse, or even fraud.

The County entered into an improper contract for security services with Watkins Glen International (WGI), a private entity. Over the last two years, the County has paid 351 individuals \$233,840 for providing law enforcement services to WGI in connection with events at the racetrack. In these cases, the County improperly pays these individuals as if they were independent contractors by check based on completed vouchers and issues them an IRS 1099 form at the end of the year. As a result, no taxes are reported or withheld, and no information is reported to the State retirement systems. We also found errors with 231 of the 333 leave request forms that were available for review, 40 exceptions with the 395 overtime entries, and exceptions with eight of the nine employees' leave accruals reviewed. These errors occurred because Department supervisors did not complete a thorough review of their employees' time records prior to approval, and the Undersheriff did not review the Department's biweekly leave reports. As a result, the County could pay employees for time that they did not work or allow them to accrue time they did not earn.

Improper Contracts and Agreements for Law Enforcement Services

County officials must comply with applicable laws when entering into contracts. It is important that individuals who perform work for the Department are properly classified as employees or independent contractors. The misclassification of an individual as an independent contractor rather than an employee can create a liability to the County for unpaid employment taxes and retirement contributions including interest and penalties.

Contract With Watkins Glen International, Inc. (WGI) – A county lacks statutory authority to contract with a private party for the provision of police services. The County has entered into a contractual agreement for special/additional law enforcement services with WGI, which operates the Watkins Glen International Racetrack. The agreement requires the County to provide law enforcement services to WGI throughout its racing season, for a total of four events, and requires WGI to pay the County for those services. Because WGI is a private entity, and the County lacks authority to contract for the provision of police services to a private party, the County’s contract with WGI is improper.⁵

Inter-Municipal Agreements – General Municipal Law (GML) contains provisions, sometimes referred to as “mutual aid” provisions, which authorize the sheriff of any county to declare a “state of special emergency” where the public peace is threatened, or where life and property may be endangered, after first advising the Governor that the emergency is about to be declared.⁶ During the continuance of the emergency, the sheriff may request other sheriffs to provide aid by “detailing, assigning and making available” such number of deputy sheriffs as may be available, together with equipment and supplies. The county of the sheriff who declares the emergency is liable and responsible “to the county of the assisting sheriff” for the salary or other compensation paid or due the persons comprising the assisting forces, unless the assisting county assumes such cost. Although the mutual aid provisions also authorize the sheriff, under certain circumstances, to seek and receive assistance from the police departments of cities, towns, and villages located within the county, these provisions do not authorize assistance from the police departments of cities, towns, and villages located outside the sheriff’s county.

GML also contains separate provisions, relating to “municipal cooperation,” which authorize municipalities to enter into agreements for the performance among themselves, or one for the other, of their respective functions, powers, and duties on a cooperative or a contract basis or for the provision of a “joint service.”⁷ The authority to enter such agreements is in addition to any other powers vested in

⁵ It also appears that the contract would be improper because the five-year term of the contract binds successor County Legislatures in relation to a governmental matter – police services – without statutory authority to do so. Although the Attorney General concluded that a prior agreement between the County and WGI for law enforcement services was inconsistent with certain provisions of General Municipal Law, the Attorney General did not consider the threshold question of whether the County has authority to contract to provide law enforcement services to a private entity or, if the County has such authority, the permissible length of any such contract.

⁶ GML Sections 209-f(2), 209-g(5).

⁷ GML Section 119-o.

municipalities. Such agreements may include, among other things, provisions relating to a method or formula equitably allocating and financing operating costs, and the manner of employing, engaging, and compensating necessary personnel. The provision of police services is a proper subject of such an inter-municipal agreement.

Because the Department does not have sufficient personnel both to maintain its normal staffing levels and to cover events at the racetrack, the Sheriff declares a localized state of emergency during each of the WGI events and requests mutual aid from other law enforcement agencies. The County has also entered into inter-municipal agreements with 13 counties, 12 villages, two towns, one city, and a State University of New York college. All of these municipalities providing police services are located outside of the County. Under these agreements, the sending jurisdiction's personnel serve on a strictly voluntary basis in accordance with their jurisdiction's internal procedure.

Consistent with the language of the inter-municipal agreements, two of the "sending" counties have advised us that the personnel provided to the County under these agreements must be on a regular day off, or on vacation or personal leave. In other words, the personnel provided to the County under the agreements are "off duty" and, therefore, volunteering for service in the County as private citizens, rather than in their official capacity as officers or employees of the sending counties.

Although the inter-municipal agreements refer to both the mutual aid provisions and the municipal cooperation provisions of GML, we do not believe that either of these provisions authorize the inter-municipal agreements. We believe the agreements are not authorized by either of these provisions because sheriffs and other municipal authorities do not have the function, power, or duty to detail, assign, or make available to another jurisdiction law enforcement personnel who are "off duty" and volunteering for service in their capacity as private citizens.⁸

Improper Classification of Personnel

Ordinarily, municipal officers and employees should be compensated through the payroll system. Use of the payroll system facilitates proper Federal and State tax reporting and withholding, as well

⁸ Although the mutual aid provisions appear to be self-executing, we assume for purposes of this audit that agreements implementing the statute are permissible. Because we conclude that the mutual aid provisions and municipal cooperation provisions may not be implemented with "off duty" volunteers of the sending jurisdiction, we do not need to discuss other concerns with the inter-municipal agreements. We also note that, while the Attorney General has stated that municipal cooperation may be another means of providing the additional law enforcement services required at the racetrack, the Attorney General did not address the propriety of the inter-municipal agreements here at issue.

as proper reporting to the State retirement systems. The earnings and period of service (i.e., number of days or fraction thereof) of temporary municipal officers or employees who are members of the New York State and Local Employees' Retirement System (ERS) should be reported to that retirement system. Personnel who are not already members of ERS, or who are members of one of the other public retirement systems of the State, may be eligible to join ERS.

The inter-municipal agreements provide for the personnel from the sending jurisdictions to be sworn as emergency special deputies of the County and to serve under the command of the County's Sheriff. The agreements require the sending jurisdictions' personnel to be covered by the County's professional liability and workers' compensation insurances. The agreements also require the personnel from the sending jurisdictions to be paid by the County on a contractual basis and, for this purpose, require the sending jurisdiction to provide the County with certain information "sufficient to enable the County ... to issue payment checks and IRS forms 1099 Misc."

Based on these provisions of the inter-municipal agreements, and because personnel from the sending jurisdictions volunteer for service in the County as private citizens, we believe that when personnel from the sending jurisdictions are covering events at the racetrack, they are best characterized as temporary officers or employees of the County. Over the last two years, the County has paid 351 individuals \$233,840 for providing law enforcement services to WGI in connection with events at the racetrack. In these cases, we found that the County was not using the payroll system when compensating its own personnel or personnel from the sending jurisdictions. Instead, the County paid these individuals as if they were independent contractors by check based on completed vouchers and issued them an IRS 1099 form at the end of the year. As a result, no taxes were reported or withheld, and no information was reported to the State retirement systems.

The Sheriff stated that the personnel from the sending jurisdictions were paid this way because of a New York State Attorney General opinion requested and obtained by a sending jurisdiction in November 1998.⁹ The Attorney General's opinion, however, concluded that a prior agreement between the County and WGI was not authorized by the mutual aid provisions of GML because the agreement required WGI to directly compensate personnel from other counties, and the mutual aid provisions do not authorize personnel from other jurisdictions to be paid by a private party. The opinion does not discuss whether law enforcement personnel covering events at the racetrack should be compensated through the payroll system or through the audit of individual claims.

⁹ 1998 Opn Atty Gen (Inf) No. 98-53

By compensating law enforcement personnel covering events at the racetrack through audit of individual claims, rather than through the payroll system, the County is not withholding taxes from the individuals' earnings. The failure to withhold taxes on these earnings could expose the County to liability from Federal and State tax authorities. In addition, the failure to report compensation and time worked by members of the State retirement systems may adversely impact the individuals' benefits upon retirement.

Payroll Records and Approval

Properly designed and maintained time records are an important component of the payroll process. Daily records of employees' hours and/or absences should be maintained and supervisors should review and approve the time and attendance for their employees.

All hourly and salaried Department employees, with the exception of management confidential employees, enter their hours worked and leave time taken into the electronic time management system. In addition, the employees prepare, complete, and submit leave and overtime request forms to their supervisor for approval. At the end of the pay period, the electronic time records are reviewed and approved by Department division supervisors, and the Undersheriff completes a limited review. The Human Resource (HR) clerk runs an automated check of the electronic time records to identify limited exceptions, such as no supervisor approval or if an employee did not record time for a day. Department supervisors are notified of any exceptions so corrections can be made.

The HR clerk then downloads the electronic time and attendance report and sends a copy to the Treasurer's payroll clerk. The payroll clerk interfaces the data with the Treasurer's accounting software; however, because the two software programs do not fully interface, the payroll clerk has to manipulate some of the data, such as manually entering holiday hours into the accounting system. There is no supervisory review of these adjustments or of the completed payroll by a Department official or the Treasurer prior to his payroll certification. As a result, errors occurred that went undetected and uncorrected.

We selected nine of the 45 full-time Department employees¹⁰ to determine whether hours worked and leave time taken in 2011 and 2012 were properly supported and approved by the employees' supervisors. However, we were unable to complete a review of the 2011 records because all of the Department employees' leave request

¹⁰ See Appendix B, Audit Methodology and Sampling, for details on our sample selection.

forms and overtime slips were accidentally shredded in error.¹¹ For 2012, we found errors with 231 of the 333 leave request forms that were available for review, 40 exceptions with the 395 overtime entries, and exceptions with eight of the nine employees' leave accruals reviewed, as discussed below.

Leave Records – There were 440 leave entries recorded in the electronic time management system during 2012 for these nine employees; 107 leave request forms (24 percent) were missing from the documentation Department officials provided to us for review. Furthermore, we found that 199 (60 percent) of the 333 leave request forms on file lacked supervisory approval and two were self-approved. In addition, 30 leave request forms were not entered in the time management system. We determined that 22 of the 30 leave request forms were not used but did not indicate that they were canceled or denied. For the remaining eight leave request forms, we found:

- Two employees incorrectly entered that they were working instead of using leave accruals as properly approved on the three leave request forms, resulting in the overstatement of these two employees' leave balances, valued at \$504.
- Documentation was not sufficient to verify that an individual worked as recorded on her electronic time record instead of using leave accruals as requested on three leave request forms.
- The remaining two leave request forms were related to the swapping of hours by one of the division supervisors.

These exceptions were not identified because the employees' supervisor failed to reconcile leave request forms with the electronic time record prior to approving them.

Overtime Records – During 2012, there were 395 overtime entries recorded in the electronic time management system in which the employee either requested payment or compensatory time in accordance with contractual agreements. Although the Undersheriff stated that all overtime requires prior supervisor approval in the form of overtime slips, our testing found 40 exceptions, valued at \$6,976. Overtime slips were missing for 13 of the overtime entries in the documentation provided to us for review by Department officials. Of the 382 overtime slips on file, we found that 13 lacked supervisory approval and 14 were self-approved.

¹¹ Records Retention and Disposition Schedule CO-2 dictates the minimum length of time that County officials must retain their records before they may be disposed of legally. For leave requests and overtime slips, the minimum period is six years.

We also found that one employee failed to enter her overtime worked on her electronic time record as approved on the overtime slip, resulting in her not being paid for the eight hours of overtime totaling \$236. Because the division supervisor failed to reconcile overtime slips with the electronic time record, these errors were not detected.

Leave Accruals – We also reviewed leave accruals for these same nine employees to determine if they were in accordance with the applicable contract provisions. According to the contracts, Department employees’ vacation leave accruals increase after defined years of employment based on their hire date. We found errors with eight of the nine employees’ leave accruals, as detailed below. Some employees had more than one exception.

- Three employees were not properly credited with vacation leave totaling \$3,165.
- Three employees earned more vacation leave than allowed by the contract totaling \$2,861.
- One employee was not credited for personal leave, received too much holiday leave, and had compensatory time increased instead of decreased, resulting in a net overstatement of leave balances totaling \$659.
- One employee was credited with too much holiday leave totaling \$210.
- One employee’s compensatory time was not reduced when used totaling \$158.

These errors occurred and went undetected and uncorrected because the Treasurer’s payroll clerk did not consistently apply the contract provision and the Undersheriff did not review the Department’s biweekly leave reports that the payroll clerk provided to him.

Recommendations

1. The County should cease contracting with WGI for the provision of law enforcement services at the racetrack.

2. The County should ensure that its arrangements for securing additional law enforcement personnel to cover events at the racetrack comply with State Law.¹²
3. The County should pay temporary officers or employees of the County using the payroll system.
4. The County should contact ERS regarding reporting the earnings and period of service (i.e., number of days or fraction thereof) and eligibility for membership of additional law enforcement personnel used to cover events at the racetrack.
5. Department employees should contact the Records Management Clerk before disposing of any documentation.
6. The Department's division supervisors should ensure employees' electronic time records are supported with properly completed leave request forms and overtime slips prior to approving them.
7. The Undersheriff should review any adjustments made by the Treasurer's payroll clerk to Department employees' time records or leave accruals.

¹² Although we conclude that neither the mutual aid provisions nor the municipal cooperation provisions of GML authorize agreements for the services of "off duty" law enforcement personnel, we also note that it may be possible for the County to obtain the services of "off duty" law enforcement personnel from other jurisdictions without any type of inter-municipal agreement. County Law authorizes a sheriff to deputize orally or in writing such number of additional special deputies as he deems necessary for the protection of human life and property during an emergency (County Law Section 655). Public Officers Law specifically provides that a sheriff may appoint in writing "special deputy sheriffs," who reside in the State but outside the sheriff's county, when the sheriff determines that "a situation exists which requires temporary additional assistance" (Public Officers Law Section 3-b). The legislative history of the latter provision indicates that it was specifically enacted, in part, to enable the Schuyler County Sheriff, without having to declare an emergency under the mutual aid provisions of GML, to obtain from neighboring counties additional law enforcement personnel needed to cover events at the racetrack.

Civil Fees and Bail

The Department is required by State mandate to receive, serve, and execute the various civil processes within the County for the several non-criminal courts of the State and its subdivisions, and for the legal community and general public for a fee. Civil process includes docketing, processing, and collecting such items as income and property executions, evictions, summons, and court orders. For income executions, fees are either withheld from an individual's wages and turned over to the Department or received in the Department's office by the individual, to pay the individual's creditors. For property executions, evictions, summons, and court orders, fees are collected from the individuals requesting the civil process. These fees constitute principal and interest on debts, mileage, postage fees, and poundage.¹³ The principal and interest payments are disbursed to the creditors or their attorneys, while the mileage, postage fees, and poundage are disbursed to the Treasurer. The Department also collects bail, which represents the amount of money required to be deposited with the adjudicating court to secure an accused individual's temporary release from County jail custody and to guarantee that person's appearance in court at a later date. All the money collected for civil fees and bail in one month should be disbursed in its entirety by the 10th of the following month.

An important component of any internal control system is proper segregation of duties to ensure that no one person controls all phases of a transaction. Specifically, it is important that one person does not have the ability to control the entire cash collection and recordkeeping processes. Concentrating key duties (i.e., recordkeeping and cash custody) with one individual with little or no oversight weakens internal controls. When it is not practical to segregate these duties, compensating controls can be implemented through timely and effective oversight by the Sheriff. These controls are essential to help ensure that transactions are properly recorded and reported and that all moneys are accounted for.

Another important control over receipts is to issue acceptable receipt forms to acknowledge collection of all moneys paid. A two-part receipt should be prepared immediately whenever moneys are received, one part to be retained by the Department and one part given to the person making the payment. Receipts must be pre-numbered and issued consecutively, and must document the date, the person paying, the amount paid, the form of payment (cash or check), and

¹³ This is the County's portion for handling of these items.

the purpose. In order for the issuance of receipts to be a meaningful and strong control, receipt books must be inventoried, safeguarded, and accounted for by someone independent of the collection process. When receipts are not issued consecutively and an inventory is not performed on a regular basis, the potential for missing deposits not being discovered timely exists.

During 2011 and 2012, the Department collected \$692,154 in civil fees and bail. The Secretary is responsible for processing all civil fees and bail received by the Department. Press-numbered duplicate receipt books are used for issuing receipts for civil and bail collections; however, the books are not consecutively numbered and an inventory of the books issued is not maintained. As a result, we cannot be certain that all receipt books were available for audit.

Dispatch employees collect bail, issue a receipt to the individual posting bail, and secure the bail in a lock box. Dispatch employees also receive fax confirmations of bail that is paid online with credit cards. The Secretary or Sheriff collects the bail from the lock box, and the Secretary records the receipts on a computerized spreadsheet and checkbook register, prepares deposits once a week, and disburses bail to the appropriate adjudicating court prior to the 10th of the following month. Because dispatch employees do not always place the fax confirmations in the lock box, the Secretary is sometimes unaware of bail receipts until she prepares the monthly bank reconciliation, which includes the credit card direct deposits.

Civil fees are collected in the Secretary's office in person or by mail. The Secretary records the receipts in a computerized software program, prepares the deposits once a week, and disburses the money to the Treasurer, creditors, or attorneys prior to the 10th of the following month. The Sheriff signs all the disbursement checks but does not complete any type of review. At the end of each month, the Secretary prepares bank reconciliations for each of the accounts. The Secretary did not prepare monthly reports, and no one independently reviewed and verified her records.

Because of a lack of segregation of duties and oversight of the Secretary, the non-consecutive receipt books, and the fact that the Secretary did not prepare monthly reports or perform an accountability analysis, we prepared an accountability analysis for the last completed bank reconciliation, which was December 31, 2012, and found a small overage of \$253 which we discussed with officials. Although this difference is immaterial, the system of controls over civil fees could easily be improved with some segregation of duties and improved oversight.

Recommendations

8. The Secretary should prepare monthly reports and accountability analyses for review by the Sheriff or his designee.
9. The Sheriff should segregate cash receipts duties. Where it is not practicable to segregate duties, the Sheriff should establish appropriate mitigating controls, such as increased supervisory oversight and reviews.
10. The Sheriff should designate an individual not involved in the collection of bails and fees to retain unused receipt books and keep a record of those distributed.

APPENDIX A
RESPONSE FROM LOCAL OFFICIALS

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

SCHUYLER COUNTY LEGISLATURE

Dennis A. Fagan
Chairman

105 Ninth Street, Unit 6
Watkins Glen, NY 14891
Phone: (607) 535-8100

DISTRICT I
Dennis A. Fagan
Stewart F. Field, Jr.

Stacy B. Husted, Clerk
County Auditor

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DISTRICT II
Thomas M. Gifford
Michael A. Yuhasz
Philip C. Barnes

Jamee L. Mack, Deputy Clerk



DISTRICT III
Doris L. Karius
Glenn R. Larison
Barbara J. Halpin

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July 24, 2013

Mr. Edward V. Grant, Jr.
Chief Examiner
Office of the State Comptroller
Rochester Regional Office
16 W Main St. Suite 522
Rochester, NY 14614-1608

Dear Mr. Grant,

This letter is in response to the Office of the State Comptroller's draft audit we received June 26, 2013. Please consider this our official written "Audit Response" to your preliminary draft findings and recommendations.

We would like to preface our response with an expression of appreciation and acknowledgement of the professionalism and helpfulness of your staff assigned to this audit. It has been a pleasure to work with and assist the auditing team as we continue our efforts to operate in an efficient and fiscally responsible fashion.

As you are aware, the original purpose of the audit was a consequence of an audit of the Monterey Fire Company and the subsequent arrest of our former jail administrator for third degree grand larceny involving misappropriation of Fire Company funds through his involvement as Fire Chief of that agency. While the audit did not find any evidence of criminal activity or misappropriation of funds by the jail administrator while in the employ of Schuyler County, it did make a number of recommendations that we feel will further improve our internal controls. The auditors also recognized the challenges associated with ensuring public safety at the largest outdoor sporting event in New York State without burdening the local taxpayer.

We thank you for the opportunity to provide this response and we will soon be submitting the required written Corrective Action Plan. The majority of the recommendations have already been implemented, many prior to the conclusion of the field review. We appreciate your assistance and are confident that your review has greatly enhanced our ability to provide mandated services with sound fiscal stewardship.

Respectfully yours,

Dennis Fagan, Chairman

William Yessman, Sheriff

Tim O'Hearn
Schuyler County Administrator
607-535-8106

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

We conducted interviews of Department officials and performed limited testing of cash receipts, disbursements, and payroll to determine areas of greatest risk.

We then decided upon the reported objectives and scope by selecting for audit those areas most at risk. We selected the payroll, civil fee, and bail processes for further review.

The objective of this audit was to review the Department's payroll, civil fee, and bail operations for the period January 1, 2011, to February 28, 2013. Our review of payroll was limited because the 2011 overtime slip and leave request forms were destroyed. To achieve our audit objective and obtain valid audit evidence, we performed the following audit procedures:

- We interviewed the Sheriff, Undersheriff, and other Department and County employees to gain an understanding of the controls in place over the payroll, civil fees, and bail processes.
- We reviewed County contracts with WGI and municipalities.
- We completed an Employee versus Independent Contractor checklist and reviewed the Attorney General opinion provided to the County by Wayne County in relation to how the individuals working at WGI should be compensated.
- We identified all individuals the County has paid as independent contractors for work performed at WGI in the last two years by reviewing the vendors paid through the account used to track these expenses.
- We obtained from the HR Department a listing of new hires of corrections and patrol officers for the Sheriff's Department for the period January 1, 2011, through February 7, 2013. The list generated 22 new hires; however, some individuals were listed multiple times due to moving from part-time to full-time status. We selected every fourth individual on the new hire listing and reviewed the individuals' personnel files to determine if employee positions were authorized.
- We randomly selected five employees and judgmentally selected four employees (20 percent), based on risk previously identified, from the population of 45 full-time¹⁴ employees in the Department. We obtained the number of Department employees from the 2011 and 2012 salary schedules.
- We reviewed negotiated contracts to determine if employees' benefits were authorized. Based on the contracts, we recalculated employees' benefits accrued and compared them to the payroll records and reports for these nine employees.

¹⁴ One employee that was randomly selected was full-time at the beginning of the scope of the audit and then became part-time thereafter.

- We obtained and compared electronic time records to leave request and overtime slip forms for the period of January 1, 2012, through December 31, 2012, to determine were approved, and traced to the electronic time records for the nine employees selected.
- We obtained and compared electronic time records to payroll records and reports to determine that leave accruals and compensatory time used were accurately recorded and reported for these nine employees.
- We verified that pay rates were accurate, as set by contract, and reviewed the payroll earnings report to determine if amounts paid were accurate for these nine employees.
- We used a random number generator to select a starting point between one and 20, because we chose to test 5 percent of the population. Starting from that number, we tested every 20th time entry for the nine employees selected and traced payroll hours entered in the electronic time records to supporting records.
- We traced a random sample of 13 civil fee and 17 bail receipts totaling \$1,071 and \$29,750, respectively, to supporting court documentation and fee schedules.
- We traced two random months (May and September 2011) and one judgmentally selected month (August 2012) worth of civil fee deposits totaling \$55,713 and all 2011 and 2012 bail bank deposits totaling \$95,428 to supporting duplicate receipts, and we reversed the process from receipts to deposits. We traced total deposits to the following month's corresponding disbursements for both the civil fee and bail bank statements. We reviewed individual deposits on the duplicate deposit slips and canceled checks to identify the differences (January 1, 2011 – December 31, 2012).
- We reviewed and verified bank reconciliations to support in the civil fee and bail records (January 1, 2011 – December 31, 2012).
- We performed an accountability of all civil and bail monies held at December 31, 2012, the last month bank that reconciliations were performed.

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

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