

Performance Audit

**Office of the Sheriff
Cash Handling Practices and Procedures**

December 2007

Durham County Audit Department

Durham County

COUNTY OF DURHAM

RICHARD EDWARDS
Audit Director
rcedwards@durhamcountync.gov

Internal Audit Department
200 E. Main Street, 4th Floor
Durham, NC 27701
(919) 560-0042
FAX: (919)560-005

AUDIT COMMITTEE
Lewis A Cheek
Jeffrey S. Gittler
Samuel A. Maclin
Ellen W. Reckhow
Manuel L. Rojas
Michael Ruffin

December 17, 2007

Michael Ruffin, Durham County Manager:

This report discusses the Cash Handling Practices and Procedures used by the Durham County Office of the Sheriff. The audit objectives were to determine if management controls for accounting, safeguarding, and depositing cash receipts are adequate to assure that financial reports are reasonably accurate and reliable. The Audit Oversight Committee has reviewed the report and it is being released to you.

Cash handling process improvements are needed in several areas. The report points to the need to (1) develop methods to identify and account for revenue at the point it is generated, (2) further segregate cash handling duties, (3) increase the frequency of supervisory review, and (4) make better use of automated systems. The Office of the Sheriff has begun to study and implement procedures to address these processes. When completed, these improvements should provide a basis for cash handling controls that will result in more accurate and reliable financial reporting.

I provided the draft audit report to the Office of the Sheriff on November 30 after briefing the Chief Deputy on the findings and recommendations on November 26. The Sheriff's response is included as Appendix 1 of this report. The Sheriff expresses general agreement with all findings and recommendations.

Richard Edwards
Audit Director

cc: Sheriff Worth L. Hill
George Quick, Finance Director

Office of the Sheriff – Cash Handling Practices and Procedures

Table of contents

| | |
|----------------------------------------------------------------------------------------------------|----|
| Introduction..... | 3 |
| Audit Objectives | 3 |
| Scope and methodology..... | 4 |
| Background | 5 |
| Findings and Analysis..... | 7 |
| Summary | 7 |
| Previous Controls over Cash Handling Practices Were Lax..... | 8 |
| Duties Were Not Segregated | 8 |
| Supervisory Review Was Inadequate to Identify Irregularities | 9 |
| Current Cash Handling Practices Provide Opportunity for Improvements | 12 |
| Revenues are not accounted for at the point it is generated. | 12 |
| Cashier Operation Needs Further Segregation of Duties. | 14 |
| Supervisory Review Is Not a Regular Part of the Process. | 15 |
| Coordinated Systems Would Benefit Writ and Judgment Financial Tracking | 16 |
| RMS system capabilities may provide a greater level of writ and judgment tracking control. | 16 |
| Recommendations..... | 17 |

List of Exhibits

| | | |
|-----------|--------------------------------------------------|----|
| Exhibit 1 | Revenues Collected By Office..... | 4 |
| Exhibit 2 | Common Cash Handling Control Points..... | 9 |
| Exhibit 3 | Cash Handling Operation in Sheriff’s Office..... | 12 |
| Exhibit 4 | Best Practices Cash Handling Controls..... | 12 |

Appendices

| | | |
|------------|---------------------------------------------|----|
| Appendix 1 | Audit Response – Office of the Sheriff..... | 16 |
|------------|---------------------------------------------|----|

Introduction

This audit of Cash Handling Practices and Procedures in the Durham County Office of the Sheriff was conducted pursuant to the September 12, 2005 Audit Department Charter which establishes the Audit Oversight Committee and the Audit Department and outlines the internal auditor's primary duties. The Audit Committee authorized this audit in October 2007.

A performance audit is an engagement that provides assurance or conclusions based on an evaluation of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices. Performance audits provide objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.¹

I conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that I plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. I believe the evidence obtained provides a reasonable basis for the findings and conclusions based upon the audit objectives.

Audit Objectives

This audit reports on the Office of the Sheriff's cash handling controls and practices and its recent efforts to improve upon its controls. Prior to the beginning of this audit, the Office of the Sheriff became aware that an employee had either lost or misapplied funds in its civil account. The report answers the following questions:

- What were the circumstances surrounding the reported losses?
- What controls have the office instituted to strengthen cash handling practices and controls?
- What if any further improvements are needed to bring controls and practices into compliance with cash handling best practices?

¹ Comptroller General of the United States, *Government Auditing Standards*, Washington D.C: U.S. Governmental Accountability Office, 2007, p. 17

Scope and methodology

This audit was conducted in accordance with generally accepted government auditing standards. I conducted my fieldwork from October 15, 2007 through November 21, 2007. The audit covered cash handling practices and procedures from 2004 through November 2007 including practices and procedures implemented in October 2007. The practices and procedures relate to:

- receipting cash,
- recording cash transactions,
- preparing and depositing receipts,
- preparing ledger documents,
- reconciliation processes, and
- supervisory review processes.

The audit scope was limited to reviewing procedures for the management of cash from the point revenues are produced to the point revenue and reconciliation reports are submitted to the county's finance department.

The information regarding controls for the period before April 2007 was gathered through testimonial evidence obtained in interviews with Office of the Sheriff officials. For the period after April 2007 the audit methods are below.

The audit methods included:

- Interviewing officials responsible for cash handling and employees engaged in the cash handling process.
- Reviewing current cash handling policy, procedures, and practices.
- Reviewing the methodology for reconstructing and identifying losses and misapplications of cash lost during the period from 2004 to 2007.
- Comparing Office of the Sheriff cash handling practices with best practices established by several universities.
- Flowcharting the office's current procedures to identify where improvements are needed.
- Observing the cash handling operation at the cashier station.
- Reviewing the procedure for the manual record keeping processes.

I did not conduct tests of transactions to determine if losses still occur. I believe such tests were unnecessary because the Office is in the process of developing its cash handling system. Such tests will be conducted during a follow-up audit.

Background

The Office of the Sheriff (Office) is directed by an elected official of the county, commonly called the Sheriff. Among other responsibilities, the Office serves subpoenas, notices, motions, orders, writs and pleadings, for which it may charge and collect fees for the services provided. The Office also provides other goods and services such as finger printing, accident reports, and weapons permits for which it may charge a fee.

Fees for services such as judgment and writ processing are established by North Carolina general statute and must be paid to the county. The state statute allows the Office to charge a \$15 administrative fee for each in-state and \$50 for each out-of-state judgment or writ it accepts for processing. In addition to the administration fee, the Office calculates a fee equal to 5 percent of the first \$500 dollars and 2.5 percent of any amount above \$500 that it collects. That fee, referred to as the sheriff's commission, is added to the judgment principal and becomes part of the initial collectible amount. Final calculation of the sheriff's commission is based upon the actual amount collected and may be lower than the original calculation. The sheriff's commission and administrative fees are deposited into the county's general fund account.

The Office has the responsibility and the obligation for accounting and safekeeping of funds and revenues it collects as a result of carrying out the responsibilities of the office. As such, the office is expected to have adequate cash handling controls and practices to carry out its fiduciary responsibilities and facilitate accurate and reliable financial reporting.

Between September 30, 2004 and October 31, 2007, the Office estimates it collected \$5.2 million. Of that total, \$51.9K in sheriff's commissions and \$580.5K in administrative fees was slated for deposit into the county's general fund account. Additionally, the Office collected \$1.9M in principal payments from defendants to satisfy judgments and writs against them.² The principal funds should be returned to the court or other parties as directed. The remaining revenue was collected as evidence, inmate property, or services provided by the Records Division. Exhibit 1 shows the revenues collected and the sources of the revenue.

² These estimates were provided by an official in the Sheriff's Office. The amounts may not be accurate because of the lack of reliable records for the 40-month period before April 2007.

EXHIBIT 1
REVENUE COLLECTED BY OFFICE

| Revenue Type | Amount Of Revenues From September 20, 2004 To November 31, 2007 ³ | Account They Are Deposited Into |
|-----------------------------------|------------------------------------------------------------------------------|---------------------------------|
| Judgment/writ processing | | |
| Processing fee | \$580,468.06 | General Fund |
| Sheriff's commission | \$51,865 | General Fund |
| Executions | \$1,908,310 | Civil account |
| Levy Fee | \$5,800 | Civil Account |
| Detention | | |
| Inmate funds | \$2,223,638.24 | SunTrust Inmate Account |
| Records | | |
| Reports, criminal histories, etc. | \$294,526.76 | General fund/SunTrust Account |
| Evidence | | |
| Revenue held as evidence | \$309,099.96 | SunTrust Evidence Account |
| TOTALS | \$5,373,708.02 | |

Source: Data provided by the Office of the Sheriff, Department of Planning and Development.

³ Amounts from September 2004 until September 30, 2007 may not be accurate. The Office is continuing an investigation of the revenues lost or stolen during that period.

Findings and Analysis

Summary

Controls over cash handling are a major focus in the Office since April 2007. The Office has drafted revised procedures for handling cash and has established a cashier function that consolidates the intake and reporting of receipts. The Office has developed a system to account for revenues on a daily basis by revenue category. With the exception of property seized during arrests and inmate accounts, all revenue collected by the office is funneled through the cashier station prior to delivery of the service. Seized property and inmate accounts are not county funds and are returned to its source, as directed by the courts. Additionally, the Office is pursuing ways to increase its usage of automation in accounting for and tracking judgment execution service transactions, a major source of revenue collected by the office.

Financial principles have long been established for government operations. The principles are designed for controls to be in place to assure that financial information and statements are reasonably accurate and reliable. The lack of controls based upon sound principles in the Office of the Sheriff resulted in current estimated losses and misallocations of approximately \$311.4K over a period of approximately 40 months from January 2004 through April 2007. As the investigation continues additional information regarding how the money was misallocated may decrease actual losses to the county. The secondary effect of the lack of controls raises questions about the accuracy and reliability of prior financial statements and demands that future reporting meet the stringent requirements of a sound financial reporting system.

Since April 2007, the Office has made progress in implementing controls over its cash handling organization and structure. However, opportunities exist for establishing stronger controls as the Office implements recent changes to its cash handling practices and control structure. To fill existing gaps in the current processes and to build more solid controls over financial accounting and reporting, the office should:

- Implement a process to account for transactions coming into the Office from outside agencies and from transactions generated within the Office.
- Segregate the duties of the cashiers.
- Review cashier operation and transactions daily.

- Understand and expand the RMS system and use it to record all writ execution transactions.
- Develop a system to account for, track, and reconcile all financial transactions at least daily.

Previous Controls over Cash Handling Practices Were Lax

Former practices violated basic cash handling principles of segregation of duties and supervisory review. Practices to manage the cash operation were lax and supervisory reviews were not adequate to provide reasonable assurance that cash revenues were accounted for, safeguarded, and reported accurately. The lax controls and supervision created an environment in which inappropriate activity occurred and losses accumulated over an extended period without detection.

Duties Were Not Segregated

The Office's Civil Division provides what is essentially a third party collection function for plaintiffs that have been granted a judgment or writ through court proceedings. Until October 2007 one employee handled all the judgment and writ execution financial transactions of the division. That employee accepted judgments and writs for possessing and collected the administrative service fees, accepted execution receipts turned in by the collecting deputies, prepared and deposited the receipts, reconciled the receipts and deposits, and remitted any expenses allowable against the account.

The Office has two deposit accounts for judgment and writ transactions. Administrative service fees are deposited into the county's general fund account and the fees collected from the defendants are deposited into the execution account for disbursement to the court and creditors that provided execution services. The sheriff commissions are disbursed to the county's general fund account from the execution account.

The lack of proper segregation of duties over these account activities allowed an opportunity for the employee to inappropriately manage the funds under her care and submit inaccurate financial reports to her supervisors. According to the investigator tasked with reconstructing the activities that took place during the period when the inappropriate actions took place, reconciliation reports were inaccurate, paperwork was altered, deposit statements were lost and missing, clients were overpaid and underpaid, clients were paid who should not have been paid, and some checks were not deposited. Because cash handling duties were not segregated, the opportunity existed for

the above actions to take place without detection. Records that were submitted to superiors for review falsely agreed with the illegitimate activities of the employee.

The effect of non-segregation of duties resulted in a loss of approximately \$124K and misallocation of approximately \$187.3K for a total of \$311.4K.⁴ However, the loss may eventually be found to be greater or less than the current finding as more information is gathered relating to the nature of the financial transactions. For example, the Office found through its investigation that about \$90.7K of revenues collected for administrative service fees were deposited into the judgment/writ execution account. Based upon this finding, Office officials believe their liability may be in the range of approximately \$240k; the \$120K they have already requested and the estimated \$120K additional funds they will need to fill the shortfall to pay those writs that were not paid or underpaid. The investigation is ongoing and the Office hopes to be able to provide a more thorough explanation of the losses at the end of their investigation.

The Office has since consolidated all revenue collection activities and developed a cashier function under the control of its Comptroller. The Office has designated and assigned two people to handle the cashier functions. Although not perfect, there are some variations and cross-cutting duties during the day that makes it more difficult for losses of the previous magnitude and duration to occur without collusion by the cashiers. The cashier function will be discussed on page 12 of this report.

According to Office officials familiar with the circumstances surrounding the loss, the process was never critically reviewed because it was functioning the way it always functioned. Therefore, there wasn't a reason to suspect anything was remiss until it became obvious that losses had occurred.

Supervisory Review Was Inadequate to Identify Irregularities

According to Office officials familiar with the cash handling process prior to April 2007, supervision of the civil division's cash handling processes consisted of a monthly review of the cash reconciliation report. That report showed the deposits made into the administrative and civil accounts. The review did not include transactions coming into the Office, the numbers of judgments and writs processed, or other indicators of the revenue that

⁴ Figure does not total due to rounding.

should have been recorded and reported. Therefore, the reviews were not adequate to determine if all transactions were accounted for and if all revenue was recorded and deposited. The review was also inadequate to determine if debits against the account were proper.

The supervisor responsible for reviewing financial information at that time said detection of irregularities was impossible because the information provided for review was mostly false. The lack of basic controls such as segregation of duties coupled with inadequate oversight and review of processes allowed for the situation in which false reports could go undetected. Adequate controls, including continuous supervision do not guarantee that irregularities will not occur, however, they mitigate the risk of irregularities and when properly supervised provide reasonable assurance that irregularities do not occur.

Exhibit 2 provides an indicator of weaknesses that occurred in the civil division's cash handling process. Critical to the entire process was that a single individual handled all the cash handling functions for the writ execution process. Adequate controls would have mitigated the inherent risk in cash handling and I believe it would have minimized the chances of losses in that revenue center.

EXHIBIT 2
COMMON CASH HANDLING CONTROL POINTS

| Cash Handling Controls | Proper Controls in Place yes/no⁵ |
|---------------------------------------------------------------------------------------------|--------------------------------------------------------|
| Controls Over The Intake Process Number of transactions received. | no |
| Controls Of Revenues Received Receipts properly logged and reconciled to transaction. | no |
| Controls Over Accounting For Revenue Receipts properly prepared for deposit. | no |
| Controls Over Deposits Deposits properly logged in journal and reviewed. | no |
| Controls Over Reconciling Processes Reconciled deposits and journal entries. | no |
| Segregation of some or all of the above duties. | no |
| Supervision over some or all of the above tasks | no |

Source: Auditor conclusions of compliance with common cash handling practices based on conversations with Office officials.

⁵ Documentary information was not available for the period prior to from January 2004 to April 2007. The conclusions resulted from conversations with various officials in the Office. Several officials said controls were lacking until April 2007 when the Office began the process of establishing its revised procedures.

Current Cash Handling Practices Provide Opportunity for Improvements

In October 2007 the Office revised its cash handling procedures. The Office established a cashier function for all revenues and developed a process for depositing and reconciling deposits to receipts. The backbone of the system is a Microsoft Access database program designed by the Office in April 2007. The system maintains financial information that can be accessed for informational and reporting purposes.

Although the system is an improvement over prior cash handling practices, several opportunities exist for greater enhancement of controls over the processes. Process controls would be enhanced if:

- Revenue production centers accounted for and maintained information useful for reconciliation of receipts,
- Cashier duties were more segregated,
- Supervision was continuous and focused on assuring that all revenue production is accounted for, and
- Manual processes were eliminated and those tasks incorporated into automated systems.

Revenues are not accounted for at the point it is generated. Currently, the Office cannot assure that it accounts for and reports all the revenue generated in its centers. The Office does not create and maintain the information required to reconcile production with revenue at the point where revenue is produced. This creates a situation in which the cashier station is the point at which accounting for revenues begin although production or revenue is generated elsewhere. Without the ability to determine what was produced, the Office cannot provide assurance that receipts accurately reflect revenues.

The Office has approximately 13 revenue centers. Most of these centers are contained in the Records Division which accounted for approximately \$294.5K in general fund revenue from September 2004 through October 2007 according to an Office representative. The products and services in these centers include providing accident reports, criminal histories, finger printing services, weapons permits, CAD reports, national criminal histories, and security cards. The largest revenue center is the Civil Division which processes civil judgments and writs for the Office. The Civil Division revenue center accounted for revenues of approximately \$1.9M during that period. Of that amount, \$632.4K should have been deposited into the county's general fund account.

For clarification, the following example explains what is missing from the Office's financial accounting and reporting system. This example is operational in some cafeteria type restaurants. In the example, customers select the desired dishes and are given an invoice for the items they select. The customer takes the invoice to a cashier at another station for payment. The cashier takes the invoice, keys in the invoice number and amount into the cash register. The cashier exchanges the invoice with the customer for a cash register receipt. The invoice is stored and later reconciled with the cash register tape. This system allows reconciliation of revenues created at the point of sale with collections at the cash register.

The checks and balances in such a system is the foundation of the cash handling process. Once the invoice and cash register receipts are reconciled, all subsequent operations can be tracked to those documents. This process provides a basis for reconciliations at all steps in the cash handling process...the basis of sound financial reporting. Currently the office does not have a system in place to begin the reconciliation process at the point of production.

In addition to revenue generated by the Office, the Clerk of Court is the source of the Office's primary revenue. These revenues are earned by the Office by processing judgments and writs for the court. According to the assistant clerk of court for civil processing, a log with case identification matching the judgment or writ is sent to the office as a record of the items sent for processing. Although the document is hand written, it contains information that could be used to reconcile Office receipts with clerk's office delivery records. However, the Office's receipt system entries are not tied to a specific judgment or writ transaction by an identifying marker that would be useful in tying Office receipts and Clerk inputs together for reconciliation purposes. Consequently, records maintained in the Office's receipting system are not adequate to determine that all receipts have been entered and accounted for.

The Office could benefit from an automated link with the Clerk of Court's office for judgment and writ processing. According to Office officials, discussions have been held with the Clerk's Office in the past regarding the feasibility of such an interface but the two offices have not decided and agreed upon a solution. Until a solution can be found, the Office should use the information it is provided to reconcile its receipts.

Cashier Operation Needs Further Segregation of Duties.

The cashier system is a two person operation. Each cashier receives cash, records transactions in the automated system, safeguard the cash they accept, and prepare and make deposits. At the end of the day, the transactions are merged and both cashiers are involved in reconciling receipts and deposits. Each cashier has a separate, secure lockbox for cash that cannot be accessed by the other cashier. As the system is designed, each cashier individually conducts the same tasks without regard for segregation of any of the duties that comprise cash handling.

Exhibits 3 and 4 shows the tasks associated with cash handling. The two exhibits contrast the Office’s current system for its two-person cashier operation and best practices for a two-person operation.

**EXHIBIT 3
CASH HANDLING OPERATION IN SHERIFF’S OFFICE**

| Sheriff’s Office Two Person Cash Handling Operation | | | | | |
|-----------------------------------------------------|---------------|-------------------|---------------------------------|---------------------|----------------------------------------|
| Role | Handling Cash | Preparing Deposit | Reconciling receipts to deposit | Making cash Deposit | Reconciling deposits for GL submission |
| Individual #1 | X | X | X | X | X |
| Individual #2 | X | X | X | X | X |

Source: Auditor observation and discussion with cashiers and officials.

**EXHIBIT 4
BEST PRACTICES CASH HANDLING CONTROLS**

| Best Practices For A Two Person Cash Handling Operation | | | | | |
|---------------------------------------------------------|---------------|-------------------|---------------------------------|---------------------|----------------------------------------|
| Role | Handling Cash | Preparing Deposit | Reconciling receipts to deposit | Making cash Deposit | Reconciling deposits for GL submission |
| Individual #1 | X | X | | X | |
| Individual #2 | | | X | | X |

Source: University California Santa Clara, Cash Handling, Basic Cash Control Training, Cash Handling Roles Module

Segregation of duties is a fundamental control associated with cash handling processes. Segregated duties allows for insight by more than one party thus lessening the opportunity for fraud and other acts of malfeasance in the cash handling process.

According to experts in fraud investigations, opportunity must always be present in the conduct of fraud and segregation of duties is a standard mitigating factor lessening the opportunity for fraud to occur. The cashier system recently established by the office is the beginning of a dependable system however; further segregation of duties based upon the model above will enhance system credibility and mitigate the possibility of inappropriate acts.

Supervisory Review Is Not a Regular Part of the Process.

Continuous process orientated supervisory review of the cash handling process is not practiced in the Office. Supervision and oversight of the process is a once-a-month routine in which reconciliation statements are reviewed to determine if receipts and deposits balance. Other supervisory efforts are reserved for instances in which daily receipts and deposit totals do not agree. Review at that time is to reconcile the receipts and deposits, a task that is routinely the cashier's responsibility.

Best practices for cash handling recommend that supervision be more frequent; built into the cash handling system as a continuous practice. Best practices consider the supervisory role a part of the authorization role in the cash handling process. Authorization roles are normally performed by a supervisor, office manager, or department head and include the review and approval of transactions. Some of the duties of the authorizing individual or supervisor as it relates to operations in the Office should be:

- Reviewing and approving deposits,
- Approving anything that is unusual, and
- Verifying the reconciliation of cash collected to the daily cash report of the computer generated summary report.

With the exception of approving anything that is unusual, the Office's usual practice leaves these duties to the cashiers. This lack of continuous regular supervision in the current process does not appear to be an improvement over the prior process in which supervision was a monthly review of the reconciliation reports. Continuous supervisory review of processes would give the system more credibility and enhance trust in the accuracy and reliability of financial reporting.

Office officials agree that more supervision of the process is needed. They have begun the process of developing ways to more meaningfully review the activities of the cashier process.

Coordinated Systems Would Benefit Writ and Judgment Financial Tracking

The Office's systems for accounting for writ and judgment revenues are intermingled into three systems, two automated and one manual. The three systems have some overlapping parts that would provide a greater level of control and ease of financial reporting if they were consolidated. Neither of the two automated systems, the cashier's receipting system or the RMS, completely tracks writ and judgment transactions. The most comprehensive tracking is the manual ledger. An effect of this uncoordinated processing is that information is fragmented, and not readily available for comprehensive review, one of the objectives of automating processes and systems

When a judgment is accepted by the Office for processing the cashier function collects and records the administrative fee into the receipt system. The process at this point does not tie administrative receipts to a specific judgment. They are recorded in aggregate under the administrative fee category. After administrative fees are collected, cashiers pass judgment and writ paperwork to a clerk who manually sets up a ledger card to track transactions related to executing the judgment or writ. The clerk records the (1) file number, (2) payee and payer description, (3) various transaction dates, and (4) transaction amounts. The clerk also enters some of the writ/judgment data into the Office's Records Management System (RMS). The clerk updates and completes entries on the ledger card as collection transactions occur and amounts are disbursed. The clerk also updates the RMS as transactions occur as well as passes collection revenues to the cashiers for entry into the receipt system as they are collected. Again the receipts are not tied to a specific writ or judgment.

RMS system capabilities may provide a greater level of writ and judgment tracking control. According to Office officials, the RMS is not used to track all judgment and writ transactions because the full capability of the system is unknown. The Office has begun to explore capabilities of the system and look for ways to use the RMS to track all judgment and writ transactions.

Although the system is being upgraded for more usability, it does not serve as a financial system for the office. Ideally the Office would have a financial system capable of maintaining all the financial data generated in the office in a single system. A single system would give the office a single source of financial data and could generate reports as required, as well as reconcile transaction and deposit balances on a real time basis.

Recommendations

The following recommendations identify improvements that will make the cash handling process more effective and enhance the accuracy and reliability of the reporting process. Also, the recommendations will decrease the risks of major instances of fraud and abuse. During the audit the Office was exploring ideas to implement the recommendations. I recommend the Office:

1. Develop and implement a process to account for transactions coming into the Office from outside agencies and from transactions generated within the Office. Although not very efficient, the office could reconcile its judgment and writ receipts with the document provided by the Clerk's office. For production generated within the office, I recommend that as an interim measure, the Office develop a log for Records Division clerks to record paying transactions.
2. Segregate the duties of the cashiers. The Office should devise a strategy similar to Exhibit 4 to separate the duties assigned to the cashiers.
3. Review cashier operation and transactions daily. The review should be designed to assure that all transactions are entered and that deposits and reconciliations are proper.
4. Understand and expand the RMS system and use it to record all writ execution transactions.
5. Develop a system to account for, track, and reconcile all financial transactions at least daily.

APPENDIX 1
AUDIT RESPONSE – OFFICE OF THE SHERIFF



COUNTY OF DURHAM
OFFICE OF THE SHERIFF
WORTH L. HILL
SHERIFF



To: Richard Edwards

From: Sheriff Worth L. Hill *WLH*

Ref: Civil Audit

Date: December 06, 2007

We have received your draft audit and our staff has reviewed the findings and recommendations. Since the fraud was discovered, our staff has investigated hundreds of pertinent civil documents to ascertain the scope of the incident. The SBI and District Attorneys Office has assisted in our efforts and the county staff has been involved in our total effort. The investigation is currently ongoing and we will continue to modify our procedures and the scope of the investigation as warranted.

As your findings indicated there are several areas in which we can improve our process. To this end we have created the Cashiers Office and revamped the supervision and accountability of the Civil Division. We are currently implementing your recommendations in the areas of separation of the cashier's duties, review of the transactions daily, expansion of the record management system, and daily reconciliations of financial transactions. In addition we have also realigned the supervision of the Civil Division with the financial and process areas being further segregated. A monthly review of all complainants has been implemented, and we are having an ongoing conversation with the Clerk's Office about how to ascertain the amount of work that is generated.

We look forward to working with your office to further enhance our civil process, and appreciate your efforts and professionalism in the audit.

WLH/jag

Durham County Judicial Bldg., 1st Floor, P.O. Box 170, 201 E. Main Street, Durham, NC 27701 (919) 560-0900

Equal Employment/Affirmative Action Employer