

**BROOME COUNTY
DEPARTMENT OF
AUDIT AND CONTROL**

**CASH HANDLING/REVENUE PROCESSING
CONTROLS AUDIT**

COUNTY CLERK – DEPARTMENT OF MOTOR VEHICLES

SEPTEMBER 2013

Alex J. McLaughlin, Comptroller



Broome County Department of Audit and Control

Alex J. McLaughlin, Comptroller . Jerry F. Marinich, Chairman of the Legislature

September 4, 2013

Richard R. Blythe, County Clerk:

The Department of Audit and Control has completed an audit of the Department of Motor Vehicles. The principal objective was to examine the processes and controls employed by the Department of Motor Vehicles unit to assess, collect, deposit and record fees.

The audit was conducted in accordance with generally accepted auditing standards. Such standards require that the Department of Audit and Control plan and perform the audit to adequately assess the accuracy of the financial records and adequacy of the internal controls, and that we examine, on a test basis, sufficient, competent and relevant evidence to afford a reasonable basis for our conclusions.

Based on the results of our examination, except for the instances noted herein, it is our opinion that the Department of Motor Vehicles has proper processes and controls in place to assess, collect, deposit and record fees.

Sincerely,

Alex J. McLaughlin
Comptroller

cc: Jerry F. Marinich, Chairman of the Legislature
Members of the Legislature
Aaron M. Martin, Clerk of the Legislature
Debra A. Preston , County Executive

Background Information:

Background:

The purpose of our Audit was to examine the processes and controls employed by the Department of Motor Vehicles to assess, collect, deposit and record fees.

Internal controls over cash are necessary to prevent mishandling of funds and to safeguard taxpayers against loss. By clearly defining responsibilities in the cash handling process, internal controls over cash handling functions also help employees to understand and execute their responsibilities.

The Broome County Department of Motor Vehicles recognized revenue of \$2,270,313 for 2012. This represents Broome County's share (12.7%) of the total transactions handled. The remaining balance (over 17.8 million) was transferred to New York State.

We examined activity from the month of November 2012 (\$177,698 in County revenue) as well as current period activity (February 2013) related to handling and safeguarding cash at both the Binghamton and Endicott sites.

We also examined functional responsibilities to ensure adequate segregation of duties, reviewed all relevant written policies and procedures, ensured receipts were deposited intact and in a timely manner, and traced transactions from the initial transaction point to the bank account and the general ledger. Physical safeguards of cash were also examined.

We thank the County Clerk and Staff for their time and assistance during our Audit.

AUDIT FINDINGS, RECOMMENDATIONS AND RESPONSES
- DEPARTMENT OF MOTOR VEHICLES-

FINDING 1: IMPROVEMENT IN SEGREGATION OF DUTIES REQUIRED

During our examination, we examined how transactions involving cash are initiated, approved, recorded, and reconciled. We noted that the Deputy County Clerk occasionally prepares the bank deposit. The Deputy County Clerk is also tasked with recording transactions, electronically transferring payments to NYS, and reconciling the monthly bank statement. Internal controls over cash would be improved if the Deputy County Clerk did not prepare bank deposits. Additionally, since the Deputy County Clerk records daily transactions, segregation of duties would be improved by tasking a different individual to reconcile the monthly bank statement.

Segregation of duties is one of the most important features of strong internal controls over cash. Ideally, the Custody of assets, recording of transactions, authorization to execute transactions, and periodic reviews and reconciliation of assets to recorded amounts should be performed by different people.

Effectively segregating duties of the different aspects of the cash handling process increases the likelihood that innocent errors will be found and corrected. Additionally, proper segregation of duties reduces the risk of fraud, as it would require collusion by two or more individuals.

RECOMMENDATION:

We recommend that the DMV improve segregation of duties over cash transactions by assigning an independent person the task of reconciling the monthly bank statement. Additionally, we recommend that the Deputy County Clerk not occasionally prepare bank deposits as it is incompatible with their other responsibilities.

MANAGEMENT RESPONSE:

We propose recommendation 1 be satisfied by instituting a series of notations on the bank deposit slips demonstrating that more than one qualified staff member has prepared or counted the deposit. The monthly bank statement is currently reviewed by the Department of Audit and Control after the Deputy performs reconciliation procedures. We respectfully submit that this function serves as a double check. Finally, staffing levels may require the Deputy to prepare bank deposits on occasion, but every effort will be made to delegate that task to qualified staff when possible.

FINDING 2: DMV SHOULD DEVELOP WRITTEN POLICIES AND PROCEDURES SPECIFIC TO BROOME COUNTY

During our examination, we reviewed guidance provided to the Broome County Department of Motor Vehicles by the NYS Department of Motor Vehicles. The material provided includes Internal Control guidelines, cashiering responsibilities, and procedures for reporting theft/loss of State assets. Upon review, we noted that, while the internal control guidelines provide a good overview of internal control and the risk assessment process, the guidance does not, nor was it meant to, detail specific procedures for the Broome County Department of Motor Vehicles. We also noted that the DMV does not maintain written emergency procedures that cover workplace violence, robbery, the potential need for immediate evacuation of workstations (eg: fire or some other emergency), etc...

Written policies and procedures provide the guidelines necessary to ensure that various functions are being performed by the appropriate personnel in the proper manner. Written policies and procedures that are in place should be followed and periodically reviewed and updated to reflect any required changes.

As noted in the NYS Internal Control guidance, current written policies and procedures inform employees of their duties and responsibilities. Written policies and procedures can also serve as a training resource when employees change jobs or retire.

RECOMMENDATION:

We recommend that the DMV develop written policies and procedures specific to Broome County.

We also recommend that the DMV work with the Security Department for the purpose of developing written policies and procedures related to workplace violence, robbery, the potential need for evacuation, etc...

MANAGEMENT RESPONSE:

We will work with Broome County Security to develop written policies and procedures related to workplace violence, robbery, evacuation, etc. and implement by October 1, 2013.

FINDING 3: REVIEW OF VOIDED OR CANCELLED TRANSACTIONS

During our examination, we inquired about voided or canceled transactions. We noted that the Department of Motor Vehicles does not, as a policy, routinely review canceled or voided transactions.

Voided transactions should be well documented and routinely reviewed to help prevent and detect fraud.

Routinely reviewing canceled and/or voided transactions makes it more difficult for cashiers to accept a customer's payment, issue a receipt, and then later void and/or cancel the transaction and pocket the cash.

RECOMMENDATION:

We recommend that the DMV, as a policy, review voided and/or canceled transactions.

MANAGEMENT RESPONSE:

We will begin a regular review of voided or cancelled transactions by October 1, 2013.