

BROOME COUNTY  
DEPARTMENT OF  
AUDIT AND CONTROL

BANK TRANSFER TESTING  
FOR THE PERIOD:  
JULY 2003 THROUGH DECEMBER 2003

*Alex J. McLaughlin, Comptroller*

September 21, 2004

Jeffrey P. Kraham, County Executive:

The Department of Audit and Control has completed a testing procedure to examine the Department of Finance's recording of bank transfers between banking institutions for the period July 1, 2003 through December 31, 2003.

Based on the results of our testing, it is our opinion that the Department of Finance has, except for the instances noted herein, properly recorded bank transfers in a timely manner.

Sincerely,

Alex J. McLaughlin  
Comptroller

cc: Daniel A Schofield, Chairman of the Legislature  
Members of the Legislature  
Louis P. Augostini, Clerk of the Legislature  
Jerome Z. Knebel, Commissioner of Finance

## BACKGROUND

Each day of the business week, cash is transferred from one bank account to another to fund County fiscal activities. The transfer of this cash is performed by completing "Bank Transfers."

These transactions are done by either electronic transfer or written instructions and are initiated by the Treasury Manager within the Department of Finance. The recording of these transfers in the FAMIS accounting system is done when the Department of Finance creates and inputs journal entries.

The purpose of the testing procedures for bank transfers is to trace the transfers from the banking system through the FAMIS system to determine if the transfers are recorded promptly and without error. With this type of analysis, Audit and Control can give positive assurance that the proper accounting procedures are in place to record the cash transfers, provide a basis to check system integrity and also be aware of the purpose, transaction volume and size of cash amounts being transferred between banks by the Department of Finance.

The testing period was from July 2003 through December 2003. Two days were selected from each month for detailed testing. The examination of records included copies of journal entries, bank deposit and withdrawal slips, checks, and other such documents as deemed necessary from the daily records completed and filed by the Department of Finance.

## **AUDIT FINDINGS, RECOMMENDATIONS AND RESPONSES**

### **-DEPARTMENT OF FINANCE-**

#### **FINDING 1: BANK TRANSFERS NOT RECORDED ON A TIMELY BASIS**

In reviewing bank transfer transactions, we noted that 3 of the 35 bank transfers tested (9%) were not posted to the accounting records within a day of the actual bank transfer. Two items were posted 11 days after the actual bank transfer.

The delay in recording bank transfers increases the risk that material errors and irregularities may not be detected within a timely period by employees in the normal course of performing their assigned functions.

#### **RECOMMENDATIONS:**

We recommend that the Department of Finance modify bank transfer posting procedures to ensure bank transfers are properly recorded on the same day that the bank transfer occurs.

#### **MANAGEMENT RESPONSE:**

Management was provided with an opportunity to respond to this report, but did not.

## **AUDIT FINDINGS, RECOMMENDATIONS AND RESPONSES**

**-DEPARTMENT OF FINANCE-**

**FINDING 2: BANK TRANSFERS NOT PROPERLY DESCRIBED IN JOURNAL ENTRIES**

In reviewing bank transfer transactions, we noted one instance where the description included on the journal entry posted to record the transaction did not accurately reflect the nature of the transaction.

Failure to properly describe transactions in related journal entries can lead to erroneous conclusions and misinterpretations by individuals relying on the posted entries to complete analysis or review accounts.

**RECOMMENDATIONS:**

We recommend that the Department of Finance modify its practices to ensure that journal entry descriptions are properly reflective of the underlying transactions.

**MANAGEMENT RESPONSE:**

Management was provided with an opportunity to respond to this report, but did not.