

# OFFICE OF THE SUFFOLK COUNTY COMPTROLLER



## **An Audit of the Suffolk County Sheriff Office's Civil Bureau**

**For the Period January 1, 2016 through December 31, 2017**

**Report 2018-11**

**Date Issued: July 23, 2020**

**John M. Kennedy, Jr.**

**SUFFOLK COUNTY  
OFFICE OF THE COMPTROLLER**

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## LETTER OF TRANSMITTAL

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September 11, 2019

Hon. Errol D. Toulon, Jr., Sheriff  
Suffolk County Sheriff's Office  
100 Center Drive  
Riverhead, NY 11901

Dear Sheriff Toulon:

In accordance with the authority vested in the County Comptroller by Article V of the Suffolk County Charter, a performance audit was conducted of the Suffolk County Sheriff Office's Civil Bureau (Bureau) for the period January 1, 2016 through December 31, 2017.

The objectives of our audit were as follows:

- To determine if the Bureau complied with certain requirements of laws, regulations and Suffolk County Standard Operating Procedures (SOPs) applicable to the enforcement of all legal, civil process and court mandates in Suffolk County.
- To evaluate the Bureau's internal controls relating to the processing and recording of receipts, disbursements and revenues.
- To ensure that the Bureau's receipts, disbursements and revenues were properly reported in accordance with applicable laws and regulations.

We conducted our performance audit in accordance with generally accepted government auditing standards. 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 objectives.

Respectfully submitted,

Office of the County Comptroller  
Division of Auditing Services

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## EXECUTIVE SUMMARY

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### **Introduction:**

The Suffolk County Comptroller's Office has audited the receipts, disbursements and revenues of the Bureau for the period January 1, 2016 through December 31, 2017.

### **Purpose:**

The purpose of our audit of the Bureau's receipts, disbursements and revenues was to determine if the Bureau complied with certain requirements of laws, regulations, guidelines and Suffolk County SOPs applicable to the enforcement of all legal, civil process and court mandates in Suffolk County, and to evaluate the Bureau's internal controls relating to the processing and recording of those receipts, disbursements and revenues.

### **Summary of Significant Findings:**

- The Bureau operates independently by maintaining its own bank accounts and using its own computer system to record transactions and issue checks which results in financial transactions related to judgments (collections from defendants and payments to plaintiffs) that are not reported to the Department of Audit and Control, Finance and Taxation Division nor are they being recorded in the County's Trust and Agency accounts.
- There is an inadequate segregation of duties regarding the Bureau's cash receipts and disbursements.
- The Bureau did not submit copies of bank statements and bank reconciliations with SCIN Form 212 to the Suffolk County Comptroller Office's Division of Finance and Taxation (Finance and Taxation) each month.
- The Bureau's Accounting Department has not performed any bank reconciliations since March 2017.
- The Bureau's Income Account was overdrawn by \$89,452 in January 2017 and the Bails and Fines Valley National Bank account was overdrawn by \$78,826 in February 2017.
- The Bureau does not adequately safeguard assets.
- There is inadequate segregation of duties regarding the recordkeeping functions of cash receipts for the Income Account and the Warrant to Remove Account.

**Summary of Significant Recommendations:**

- The Bureau should transfer the responsibility for producing and mailing checks to plaintiffs to the Department of Audit and Control, Finance and Taxation Division.
- The Bureau should segregate the authorization, recordkeeping, and custody functions for cash disbursements.
- The Bureau should segregate the custody and recordkeeping functions for cash receipts and ensure that the employee recording the cash receipt is not the same employee who is preparing the cash receipt for deposit.
- The Bureau should void any checks outstanding more than 180 days and transfer the unclaimed funds to the Department of Audit and Control.
- The Bureau's Accounting Department should perform monthly bank reconciliations within 30 days of receiving the bank account statement, and submit the bank reconciliations, bank statements and SCIN Form 212 to Audit and Control monthly. In addition, the Bureau should discontinue the use of "fake checks" (three-digit checks created to reserve money that needs to be transferred to other accounts which are listed on the disbursement schedule) and correctly deposit funds received into the proper accounts.
- The Bureau should ensure that assets are adequately safeguarded to minimize the risk of misappropriation.

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## **BACKGROUND**

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The Bureau is responsible for enforcing all legal, civil process and court mandates in Suffolk County, pursuant to the Civil Practice Laws and Rules (CPLR) and other applicable New York State laws.

The Bureau collects judgments, which are defined as amounts due, to be paid or collected, as a result of a court order. There are seven different types of judgments processed by the Bureau: real and personal property executions (real property - houses and land; personal property - cars, boats and bank accounts), income executions (salary and wages), warrants to remove (evictions), warrants of arrest, summons and complaint (a summons to appear), order of seizure (seizure of property), and orders of attachment (attachment of property). Enforcement of judgments is carried out by Deputy Sheriffs who collect certain funds from the defendants which are subsequently remitted to the plaintiffs. Funds may be collected from the defendants directly, through salary garnishment or through auction of their property.

The Bureau collects fees mandated by various civil laws for processing the above actions and reported revenues of \$2,686,143 and \$2,588,999 in 2016 and 2017, respectively. These revenues were remitted to the Department of Audit and Control, Finance and Taxation Division to be retained by the County as revenue.

The Bureau is also responsible for processing bail and fines received from the Sheriff's Office in Riverhead on a weekly basis. All bail and fines applicable to the District Court, County/Supreme Court, Family Court, and Family Court Arrears are remitted to the Department of Audit and Control, Finance and Taxation Division which is responsible for making disbursements on behalf of these courts. Bail and fines applicable to town justice courts are remitted by the Bureau directly to the towns, as town justice courts are responsible for making their own disbursements.

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## SCOPE AND METHODOLOGY

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In order to accomplish the objectives as stated in the Letter of Transmittal (p. 1), we performed the following procedures:

- Reviewed relevant Suffolk County, New York State Civil Practice, County and Public Officers Laws, Suffolk County Resolutions and SOPs.
- Conducted interviews of Bureau personnel as deemed necessary to obtain an understanding of the processes and internal procedures employed by the Bureau to record receipts, disbursements and revenues.
- Interviewed personnel from the Department of Audit and Control who are responsible for monitoring the Bureau's revenues, disbursements and bank accounts.
- Performed reconciliations of receipts, disbursements and revenues reported by the Bureau.
- Randomly selected 25 cash receipts and judgmentally selected any unusual items from the Bails and Fines, Income, Property and Warrants to Remove (WTR) accounts. Performed testing procedures as deemed necessary.
- Randomly selected 25 disbursements and judgmentally selected any unusual items from each Bails and Fines account. Performed testing procedures as deemed necessary.
- Randomly selected 60 disbursements and judgmentally selected any unusual items from the Income, Property and WTR accounts. Performed testing procedures as deemed necessary.
- Randomly selected 25 revenue items and judgmentally selected any unusual items from the Fees and Mileage account. Performed testing procedures as deemed necessary.
- Randomly selected 5 disbursements and judgmentally selected any unusual items from the Fees and Mileage account. Performed testing procedures as deemed necessary.
- Performed testing procedures as deemed necessary for all 14 Unclaimed Fund transactions.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or relevant population size and the sample selected for examination.

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## AUDIT FINDINGS

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Findings preceded by an asterisk (\*) are repeat findings which were identified in Audit Report # 2006-01, but not corrected by the Bureau.

**\* *The Bureau operates independently by maintaining its own bank accounts and using its own computer system to record transactions and issue checks which results in financial transactions related to judgments (collections from defendants and payments to plaintiffs) that are not reported to the Department of Audit and Control, Finance and Taxation Division<sup>1</sup> nor are they being recorded in the County's Trust and Agency accounts.*** The lack of financial oversight by the Department of Audit and Control, Finance and Taxation Division along with other internal control weaknesses identified in this report indicates that significant changes are needed regarding the processing of transactions related to judgments.

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**\* *There is an inadequate segregation of duties regarding the Bureau's disbursements.*** The Bureau's Principal Account Clerk in the Bookkeeping Department prepares, signs (using the Sheriff's electronic signature) and mails disbursement checks. In addition, the Principal Account Clerk has the ability to void checks. Furthermore, the Bureau's Principal Account Clerk in the Accounting Department is responsible for the transfer of funds (authorization) as well as the issuance of checks (custody) with regard to the Bails and Fines bank account.

When one employee is responsible for the authorization, recordkeeping and custody functions of disbursements, there is an increased risk that fraud or misappropriation can occur.

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**\* *There is an inadequate segregation of duties regarding the Bureau's cash receipts.*** The Bureau's Principal Account Clerk in the Bookkeeping Department has custody of the checks received and is responsible for posting payments to CivilServe, the Bureau's accounting program. In addition, the Bureau's Accountant in the Accounting Department has the ability to transfer funds as well as post cash receipts in CivilServe.

When employees that post payments have custody of checks or the ability to transfer funds, there is an increased opportunity for fraud to occur because the employee could post the payment and either take the check or transfer the funds to an inappropriate account.

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**\* *The Bureau did not submit copies of bank statements and bank reconciliations with SCIN Form 212 to Finance and Taxation each month.*** Section A5-17 of the Suffolk County Administrative Code requires County departments to submit monthly bank statements and bank

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<sup>1</sup> As of January 1, 2016, the Department of Taxation and Finance merged with the Department of Audit and Control and became known as the Department of Audit and Control, Taxation and Finance Division.

reconciliations to the Department of Audit and Control. In addition, SOP D-08 requires departments to complete SCIN Form 212 monthly.

The Bureau's noncompliance with this requirement is a serious matter as the Department of Audit and Control is custodian for all County funds and needs the bank statement and reconciliation to confirm that the account balance is correctly reported, that the account was reconciled on a timely basis and indicated no areas of concern, and that the account interest is being properly recorded. In addition, the Department of Audit and Control would be able to review the activity in the account and question unusual transactions if the Bureau was compliant with this requirement.

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***The Bureau's Accounting Department has not performed any bank reconciliations since March 2017.*** SOP D-08 requires that bank reconciliations be performed within 30 days of receiving the account statement from the bank. In addition, SOP D-08 requires that reconciliations be reviewed and signed by a supervisory employee who is not involved with the collection, deposit, and disbursement of funds. Our audit revealed that the Bureau's current Accountant has not performed any bank reconciliations since she was hired by the Bureau in June 2017 and bank reconciliations were not performed by the Bureau since the prior Accountant left in March 2017. The Bureau's current Accountant stated that she is waiting for access to a reconciliation report, a component of CivilServe, and that she will reconcile the bank accounts beginning with January 1, 2018. The Bureau's failure to perform monthly bank reconciliations, as required by SOP D-08, resulted in the following errors:

- The Bureau under reported Fee and Mileage Account revenues by \$366,645 on its Statement of Receipts, Disbursements and Revenues. In addition, bank reconciliations were not performed by the Bureau for this account from April 2017 through December 2017, and prior period adjustments totaling \$899,533 were made during the audit period. Therefore, we were unable to reconcile reported Fee and Mileage Account revenues to the Fee and Mileage Account bank statements.
- The Bureau under reported Property Account and Warrant to Remove disbursements by \$24,112 for 2017. These errors were attributed to the Bureau not performing monthly bank reconciliations.
- The Bureau's reported revenues for the Fees and Mileage Account were overstated by \$17,703 in July 2017. The Bureau's Accountant, who was hired in June of 2017, claimed that the error was attributed to difficulties she was having with the CivilServe accounting program that month.

The Bureau's Accounting Department still has not performed any bank reconciliations as of November 2018. When the Bureau's Accounting Department does not perform monthly bank reconciliations, there is an increased risk that errors and omissions of receipts, revenues and disbursements will occur and not be detected in a timely manner.

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***The Bureau's Income Account was overdrawn by \$89,452 in January 2017 and the Bails and Fines Valley National Bank account was overdrawn by \$78,826 in February 2017.*** The Bureau transferred funds into the Income account on the same day to correct the error and believes that the "fake checks" (three-digit checks created to reserve money that needs to be transferred to other accounts which are listed on the disbursement schedule) could have caused the bank account to be overdrawn. However, if the Bureau deposits cash receipts into the proper accounts, the use of "fake checks" would be eliminated.

When the Bureau utilizes "fake checks" to reserve funds that need to be disbursed, there is an increased risk for errors to occur and for accounts to be overdrawn.

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***The Bureau does not adequately safeguard assets.*** Our audit observations revealed the following:

- The Principal Account Clerk in the Bookkeeping Department keeps the key to the file cabinet where blank checks are stored in her unlocked desk drawer.
- The Bureau's CivilServe accounting program, which is used to print checks, is not password protected.
- The file cabinet where blank checks are stored is left unlocked during check runs.
- The cabinet where the petty cash box is stored is left unlocked throughout the day.

When assets are not adequately safeguarded, there is an increased risk that they can be misappropriated which could result in unauthorized use, acquisition or disposal.

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***There is inadequate segregation of duties regarding the recordkeeping functions of cash receipts for the Income Account and the Warrant to Remove Account.*** Our audit testing revealed that the same individual at the Bureau who recorded the cash receipt also prepared the cash receipt for deposit for four of the 27 (15%) transactions tested for the Income Account and for one of the 27 (4%) transactions tested for the Warrant to Remove Account.

When the same employee posts cash receipts and prepares the deposit, there is an increased opportunity for fraud to occur because the employee could post the payment and take the cash.

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In addition to the significant findings identified above, our audit revealed the following:

***The Bureau was unable to provide execution orders that entitle the plaintiff to the disbursement.*** NYS CPLR Section 5230(d) states, "Each sheriff or support collection unit shall keep a record of executions delivered." However, our audit testing revealed that the Bureau was unable to locate the docket files for one of the 61 (2%) transactions tested for Income Account disbursements and two of the 62 (3%) transactions tested for Property Account disbursements.

Therefore, we were unable to determine if the plaintiff was entitled to the disbursement in these three instances.

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***The attorney listed on the execution order does not match the attorney to whom the disbursement was paid.*** NYS CPLR Section 321 states, "An attorney of record may be changed by filing with the clerk a consent to the change signed by the retiring attorney and signed and acknowledged by the party." Therefore, the Bureau is required to obtain a change of attorney letter prior to any disbursements made to an attorney not listed on the execution order. Our audit testing revealed that two of the 61 (3%) transactions tested for the Income Account disbursements were missing the required change of attorney letters.

When the Bureau does not maintain the required change of attorney letter, there is no evidence that the payee represents the judgment creditor with regard to the income execution.

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***Interest revenue was not properly recorded in the County's Integrated Financial Management System (IFMS).*** Our audit testing revealed the following:

- Interest revenue earned in June and October 2016 was incorrectly recorded in IFMS as interest from the Bails and Fines account rather than interest from the Fee and Mileage account.
- Interest revenue earned on the Fee and Mileage Account in August 2016 was incorrectly recorded in IFMS as July interest rather than August interest.
- Interest revenue earned on the Fee and Mileage Account from May 2017 through December 2017 was not recorded in IFMS.

The Bureau's failure to remit interest revenue to the Comptroller's Office as required by SOP D-08 results in a loss of revenue for the County.

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***The Bureau does not void and reissue stale dated checks (checks more than 180 days old) and does not utilize CivilServe's outstanding check report to void stale dated checks.*** Our audit testing revealed that three of the 62 (5%) Warrant to Remove disbursements tested were outstanding for over 180 days. We recommend that stale dated checks should be voided and reissued once they are outstanding for over 180 days. The Bureau's Accounting Department acknowledged that these checks are still outstanding, but has not voided them due to discrepancies with the bank accounts. The Bureau's Principal Account Clerk in the Accounting Department stated that the Bureau will be working on stale dated checks in the beginning of 2019.

The Bureau's failure to perform bank reconciliations and void stale dated checks resulted in the Warrants to Remove Account balance being understated.

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***The Bureau did not maintain an inventory record of blank checks.*** SOP D-08 specifically states, "An inventory record should be kept of all large stockpiles of checks." When an inventory record of blank checks is not maintained, there is an increased risk that blank checks could be removed and utilized without authority and go undetected.

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***Cash and checks are not always deposited within twenty-four hours of receipt.*** SOP D-08 requires all Suffolk County departments to deposit all proceeds within twenty-four hours of receipt. Our audit testing revealed that 26 of the 27 (96%) receipts tested for the Income Account were not deposited within 24 hours of receipt and one of the 27 (4%) receipts tested for the Property Account was not deposited within 24 hours of receipt.

The untimely deposit of cash receipts creates an opportunity for the theft or misplacement of cash and/or checks and hampers the Bureau's ability to utilize the funds for disbursements.

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***The Bureau failed to comply with the provisions of SOP D-08 and remit revenue to the Comptroller's Office within ten days after the end of the month or sooner.*** Our audit testing revealed the following:

- Two of seven (29%) Fees and Mileage disbursements tested were not remitted to the Comptroller's Office within ten days after the end of the month or sooner.
- Interest revenue earned on the Fee and Mileage account for January 2017 was not remitted to the Comptroller's Office until March 2017, interest revenue for April 2017 was not remitted until October 2017 and interest revenue for May 2017 was not remitted until January 2018.
- Interest revenue totaling \$333 from the Fee and Mileage Account for June 2017 through December 2017 was not remitted to the Comptroller's Office.
- Nine of the 24 (38%) interest revenue transactions tested totaling \$104 for the Bails and Fines Gold Coast bank account were not remitted to the Comptroller's Office and was not recorded in IFMS.
- Interest revenue earned on the Bails and Fines Gold Coast bank account was not remitted to the Comptroller's Office in a timely manner.
- Eight of the 24 (33%) interest revenue transactions tested totaling \$790 for the Bails and Fines Valley National Bank account were not remitted to the Comptroller's Office and was not recorded in the IFMS.
- Interest revenue earned on the Bails and Fines Valley National Bank account was not remitted to the Comptroller's Office in a timely manner.

The untimely submission of revenue to the Comptroller's Office hampers the County's ability to utilize the funds included in its operating budget.

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## RECOMMENDATIONS

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- The Bureau should transfer the responsibility for producing and mailing checks to plaintiffs to the Department of Audit and Control, Finance and Taxation Division. The activity in these accounts is clearly Trust and Agency and Finance and Taxation should be responsible for disbursements. We recommend that the Bureau authorize payments and send a list of disbursements to Finance and Taxation (or electronically submit the information) along with a check for the total amount to be disbursed. This would ensure that the financial activity is recorded in Trust and Agency accounts, reduce the risk of fraud, and simplify the bank reconciliation process for the Bureau.
- The Bureau should segregate the authorization, recordkeeping, and custody functions for disbursements.
- The Bureau should segregate the custody and recordkeeping functions for cash receipts and ensure that the employee recording the cash receipt is not the same employee who is preparing the cash receipt for deposit.
- The Bureau's Accounting Department should perform monthly bank reconciliations within 30 days of receiving the bank account statement, and submit the bank reconciliations, bank statements and SCIN Form 212 to the Department of Audit and Control monthly. In addition, the Bureau should discontinue the use of "fake checks" (three-digit checks created to reserve money that needs to be transferred to other accounts which are listed on the disbursement schedule) and correctly deposit funds received into the proper accounts.
- The Bureau should ensure that assets are adequately safeguarded to minimize the risk of misappropriation. Checks and the petty cash box should be stored in a locked file cabinet and the key should be kept in a secure location. In addition, passwords should be assigned to the individuals responsible for processing checks in CivilServe.
- The Bureau should properly maintain all case files, including original executions.
- The Bureau should ensure that a change of attorney letter is obtained and placed in the case file prior to issuing disbursements to attorneys not listed on the original execution.
- The Bureau should ensure that all revenues are recorded correctly in IFMS.
- The Bureau should void any checks outstanding more than 180 days and transfer the unclaimed funds to the Department of Audit and Control. The CivilServe outstanding Check report may prove useful in this regard.
- The Bureau should establish and maintain an inventory record of all blank checks.
- The Bureau should ensure that cash and checks are deposited within twenty four hours of receipt.
- The Bureau should ensure that revenue is remitted to the Comptroller's Office within ten days after the end of the month or sooner.

## **APPENDICES**

APPENDIX A

COUNTY OF SUFFOLK



OFFICE OF THE SHERIFF

DR. ERROL D. TOULON, JR.  
SHERIFF

October 15, 2019

Mr. Joseph S. Pecorella, Jr., CPA  
Chief Auditor  
Comptroller's Office  
H. Lee Dennison Building  
100 Veterans Memorial Highway  
P.O. Box 6100  
Hauppauge, New York 11788

Dear Mr. Pecorella:

Please find the attached response regarding the Sheriff's office audit report.

If I can be of further assistance, you may reach me at 852-7006.

Very truly yours,

DR. ERROL D. TOULON, JR.  
Suffolk County Sheriff

EDT/vk



## EXECUTIVE SUMMARY

### Summary of Significant Findings:

- The Bureau operates independently by maintaining its own bank accounts and using its own computer system to record transactions and issue checks which results in financial transactions related to judgments (collections from defendants and payments to plaintiffs) that are not reported to the Department of Audit and Control, Finance and Taxation Division nor are they being recorded in the County's Trust and Agency accounts.
- The Sheriff's Civil Enforcement Bureau is required to enforce collection of civil matters in accordance with New York State Civil Practice Law and Rules (CPLR). CPLR Article 51 and Article 52 clearly define the roll of the Sheriff's Office in regards to the enforcement of money judgments. As a result, the Sheriff's Office is the authorized agency to demand, collect, account for and dispense funds related to the various civil actions. To ensure accuracy of the collection process the custody of financial transactions will be maintained by the Sheriff's office, which is supported by CivilServe software program designed specifically for this function.
- There is an inadequate segregation of duties regarding the Bureau's cash receipts and disbursements.
- The segregation of duties has been modified to comply with Suffolk County SOP's. This has been expedited with the augmentation of staff. Moreover, we have applied additional checks and balances to validate tasks performed by employees are in compliance with the segregation of duties.
- The Bureau did not submit copies of bank statements and bank reconciliations with SCIN Form 212 to the Suffolk County Comptroller Office's Division of Finance and Taxation (Finance and Taxation) each month.
- The Bureau's Accounting Department has not performed any bank reconciliations since March 2017.
- The Bureau's Income Account was overdrawn by \$89,452 in January 2017 and the Bails and Fines Valley National Bank account was overdrawn by \$78,826 in February 2017.
- The January 2017 overdraw of the Bureau's Income account has been partially attributed to the deposit of funds into one account and the same funds being disbursed from another account. This accounting error had been repeated in prior months

leading to an inevitable overdraw. Also found were discrepancies in the transfers to cover those disbursements. The accountant during the period of the audit has since retired. While reviewing the existing spreadsheets that were being used to accomplish bank reconciliations, discrepancies were discovered and explanations were unattainable.

The methods that were already in place led to issues, so new methods needed to be determined. The software that had been created for the Civil Enforcement Bureau to handle civil actions had an accounting function that was not being utilized. In order to integrate the accounting component the Softcode software support team was needed to incorporate the accounting function with the civil function. More so the support team and the civil accountant had to transfer the civil accounting program and history from a spreadsheet program to the accounting program. This was a lengthy process which took approximately a year. During this time the interim online and telephone support team was assisting the Bureau in making preliminary changes which paralleled many of the recommendations subsequently noted on the audit findings. Many of these recommendations have already been initiated during the upgrade enhancements to the accounting program.

- **The Bureau does not adequately safeguard assets.**
- The Bureau has implemented additional procedures in regards to locking up checks at the end of the work day and keeping a separate key in a secure location. Supervisors have been advised of the new protocols as well.

The Bureau has reassigned some of the accounting functions so that deposits are performed by one employee and the posting of checks to the cases in the Income account and Warrant to Remove account are carried out by separate employees.

## EXECUTIVE SUMMARY

### Summary of Significant Recommendations:

- The Bureau should transfer the responsibility for producing and mailing checks to the plaintiff to the Department of Audit and Control, Finance and Taxation Division.
- The Bureau should retain all functions of disbursing checks. The CivilServe software program is designed specifically to handle all transactions relating to civil collection cases. Further, to ensure accuracy the responsibility should be maintained by the Sheriff's office. The ability to process ALL transactions on one system enables instant updates to the other components of the system with the most current information. The upgrade conducted along with the integration of the new CivilServe accounting software component is a key element in the overall justification. The current updated system provides simplified bank reconciliations, more accurate outstanding check lists and a reduction for the risk of fraud. The ability to work in conjunction with our enhanced software allows us to upload our check disbursements directly to our bank where an additional safeguard has been achieved. Positive pay is performed by the bank daily to verify our issued checks, which further reduces the risk of errors and fraud.
- The Bureau should segregate the authorization, recordkeeping, and custody functions for cash disbursements.
- The Bureau has implemented a more comprehensive procedure pertaining to the segregation of duties in regards to cash disbursements. When transfers are initiated from any of the bank accounts, the bank will require telephone verification from an approved authorized employee. Positive pay is authorized by an individual other than the person processing the checks. The disbursements are reviewed and cleared in the bank reconciliation function on the software by a separate individual not involved in either of the above mention procedures.
- The Bureau should segregate the custody and recordkeeping functions for cash receipts and ensure that the employee recording the cash receipt is not the same employee who is preparing the cash receipt for deposit.
- The Bureau has also crafted several additional procedures to address the separation of duties concerning the custody and recordkeeping functions for the cash receipts. An individual who processes the daily bank deposits no longer posts checks on the civil cases. Any daily bank deposit prepared by an employee is reviewed and verified by a separate individual. The deposits are verified to the bank daily by the accountant and recorded as well. In addition, reports can now be generated to match the bank statements. The integration of the upgraded accounting portion of the CivilServe software has enabled the Bureau to facilitate these refinements.

- The Bureau should void any checks outstanding more than 180 days and transfer the unclaimed funds to the Department of Audit and Control.
- The Bureau is currently validating outstanding checks lists and re-assessing the reasons for the uncashed checks. The staff will attempt to replace the checks if appropriate. In the event the checks cannot be replaced, the funds will be re-directed on the CivilServe software to be classified as abandoned funds. This will enable our office to comply with the 180 day time frame and efficiently remit the abandoned funds as unclaimed funds to the Comptroller's office along with supporting reports generated from the software. This new process reflects another result accomplished by the accounting software upgrade.
- The Bureau's Accounting Department should perform monthly bank reconciliations within 30 days of receiving the bank account statement, and submit the bank reconciliations, bank statements and SCIN Form 212 to Audit and Control monthly. In addition, the Bureau should discontinue the use of "fake checks" (three-digit checks created to reserve money that needs to be transferred to other accounts which are listed on the disbursement schedule) and correctly deposit funds received into the proper accounts.
- The Bureau is presently preparing monthly bank reconciliations for current and previous months since the implementation of the upgraded accounting system. The process has been extensive, consequentially because a starting point had to be determined. The software support team was essential in developing this platform and adjustments are still being streamlined. The adjustments made to the upgraded accounting system has facilitated the elimination of the "fake checks" and funds are now being deposited into the appropriate bank accounts. Henceforth, all bank reconciliations will be able to be submitted from CivilServe with the supporting reports directly from the program, with SCIN Form 212 and the bank statements.
- The Bureau should ensure that assets are adequately safeguarded to minimize the risk of misappropriation.
- The Bureau has implemented policies to safeguard assets and is currently updating written procedures to reflect these policies. The policies include that ALL checks are to be locked in a file cabinet including the petty cash box. The petty cash box is utilized to hold the cash used to open the register at the start of each business day. The petty cash will be proofed out by an individual other than those who handled the day's cash transactions. All cash is given to a Sergeant at the end of the business day to be locked in a safe until he physically deposits the money at the bank. Keys for cash box and locked file cabinets will be placed in a secured location under supervision.

### RECOMMENDATIONS

- The Bureau should transfer the responsibility for producing and mailing checks to plaintiffs to the Department of Audit and Control, Finance and Taxation Division. The activity in these accounts is clearly Trust and Agency and Finance and Taxation should be responsible for disbursements. We recommend that the Bureau authorize payments and send a list of disbursements to Finance and Taxation (or electronically submit the information) along with a check for the total amount to be disbursed. This would ensure that the financial activity is recorded in Trust and Agency accounts, reduce the risk of fraud, and simplify the bank reconciliation process for the Bureau.
- Disbursements should only be processed at the Sheriff's Office, Civil Enforcement Bureau since the Bureau is required to enforce collection of all civil matters in accordance with New York State Practice Civil Law and Rules (CPLR). According to CPLR, only an accredited enforcement agency such as the sheriff can enforce collection of funds related to all the various civil actions. Therefore, the Sheriff's Civil Enforcement Bureau is more adept to disburse and maintain all transactions regarding these collections. This office has maintained and recently implemented upgrades to "CivilServe" which is the software designed specifically for civil enforcement bureaus. We have been amplifying the accounting component of the software to be more inclusive and efficient. We have been working closely with the developers to enhance all the features that this program offers. Processing transactions outside the software would defeat our purpose of maintaining the most accurate balances for our civil clients. Having the capability to utilize all the components of the software enables all sections of the program to contain more reliable information. Keeping all transactions specific to one system reduces the risk of errors, fraud and keeps ALL recordkeeping simplified.
- The Bureau should segregate the authorization, recordkeeping, and custody functions for disbursements.
- The Bureau does have procedures to segregate the custody, recordkeeping and authorization of disbursements. Check runs are processed by separate individuals and reviewed by the appropriate departments before being finalized and mailed. The accounts are additionally reconciled by the Finance Department. The implementation of new policies, additional staff, training and the upgraded accounting program have allowed the Bureau to refine work functions.
- The Bureau should segregate the custody and recordkeeping functions for cash receipts and ensure that the employee recording the cash receipt is not the same employee who is preparing the cash receipt for deposit.

- The Bureau has established new policies for segregation and recordkeeping functions for cash receipts. Under the new policies an individual who processes the bank deposits is no longer posting checks. Furthermore a separate staff member reconciles the bank account to the software. Additionally, any deposit prepared is reviewed and verified by a separate individual.
- **The Bureau should void any checks outstanding more than 180 days and transfer the unclaimed funds to the Department of Audit and Control. The CivilServe outstanding check report may prove useful in this regard.**
- The Bureau, with the assistance of Softcode, is currently devising an accurate outstanding check list on CivilServe so the program will be able to generate precise funds to be abandoned and remitted as unclaimed to the Comptroller's office in accordance with the 180 day time frame.
- **The Bureau's Accounting Department should perform monthly bank reconciliations within 30 days of receiving the bank account statement, and submit the bank reconciliations, bank statements and SCIN Form 212 to the Department of Audit and Control monthly. In addition, the Bureau should discontinue the use of "fake checks" (three digit checks created to reserve money that needs to be transferred to other accounts which are listed on the disbursement schedule) and correctly deposit funds received into the proper accounts.**
- The Bureau is presently preparing monthly bank reconciliations for current and previous months utilizing CivilServe software. The implementation of the upgrade has assisted in establishing this function. The upgrade and training has facilitated the elimination of "fake checks" and funds are being accurately deposited into the appropriate accounts. Going forward all bank reconciliations will be submitted from CivilServe with the corresponding reports and SCIN Form 212 and the original bank statements.
- **The Bureau should ensure that assets are adequately safeguarded to minimize the risk of misappropriation. Checks and the petty cash box should be stored in a locked file cabinet and the key should be kept in a secure location. In addition, passwords should be assigned to the individuals responsible for processing checks in CivilServe.**
- The Bureau has implemented policies to safeguard assets and is currently in the process of updating written procedures to reflect those policies. Some of the revisions state that ALL checks are to be locked in file cabinets including the cash box. The cash box is utilized to hold the cash used to open the register at the start of each business day. During the business day the empty cash box is kept locked and secured in the Finance department. All cash is given to a Sergeant at the end of each business day to lock in a safe until he physically deposits the cash at the bank. Keys for the cash box are kept in a secured location.

- **The Bureau should properly maintain all case files, including original executions.**
- The Bureau makes every attempt to properly maintain all case files, including the original executions. Original executions are submitted to the appropriate court for recording once a file has been closed. Files that are closed out are archived and held for the requisite period of time.
- **The Bureau should ensure that a change of attorney letter is obtained and placed in the case file prior to issuing disbursements to attorneys not listed on the original execution.**
- The Bureau makes every attempt to ensure that change of attorney letters are obtained and kept in each case file prior to issuing disbursements to a new attorney. When a change of attorney letter cannot be produced, written acknowledgement from the plaintiff or the court is secured. In addition, we are in the process of implementing a function of the upgraded accounting system which will allow us to scan any correspondence, such as change of attorney letters, to be attached to the case.
- **The Bureau should ensure that all revenues are recorded correctly in IFMS.**
- The Bureau records all revenue correctly into IFMS along with the supporting documentation that is required to be uploaded with every cash receipt. The physical checks are submitted to cash management within the designated time frame. This function has been executed utilizing the new upgrade.
- **The Bureau should establish and maintain an inventory record of all blank checks.**
- The Bureau has created and maintained an inventory record of all blank checks per the recommendation of this audit.
- **The Bureau should ensure that cash and checks are deposited within twenty four hours of receipt.**
- The Bureau prepares deposits for all cash and check entries the following business day and submits a bank bag containing the above mentioned deposits to a Sergeant for deposit at the bank the same evening.
- **The Bureau should ensure that revenue is remitted to the Comptroller's Office within ten days after the end of the month or sooner.**
- The Bureau has been remitting monthly revenue checks within ten business days to the Comptroller's office since the implementation of the accounting upgrade.

## APPENDIX B

### Comptroller Office's Comments on the Civil Bureau's Response

#### Auditee: Suffolk County Sheriff Office's Civil Bureau

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An exit conference was held on December 17, 2018 where Audit Division staff discussed the findings and recommendations with the Bureau. This meeting serves to provide the Bureau with the opportunity to begin preparing their response to the audit report and the opportunity to request work papers that support our findings. The Bureau submitted a written response to the audit report (Appendix A, p. 14). Our assessment of the Bureau's response is as follows:

#### **Finding 1:**

The Bureau operates independently by maintaining its own bank accounts and using its own computer system to record transactions and issue checks which results in financial transactions related to judgments (collections from defendants and payments to plaintiffs) that are not reported to the Department of Audit and Control, Finance and Taxation Division nor are they being recorded in the County's Trust and Agency accounts.

#### Bureau's Response:

The Bureau stated in its response that it is the authorized agency to demand, collect, account for and dispense funds related to various civil actions and that it should retain all functions of disbursing checks. The Bureau contends that the CivilServe software program is designed specifically to handle all transactions relating to civil collection cases and that it has been amplifying the accounting component of the software to be more inclusive and efficient.

#### Comptroller's Response:

The Comptroller's Office disagrees with the Bureau's intention to maintain custody of financial transactions related judgments (collections from defendants and payments to plaintiffs). Although NYS CPLR Article 51 and Article 52 clearly define the roll of the Sheriff's Office in regards to the enforcement of money judgments, Section C5-2 of the County Charter specifically states, "The County Comptroller shall: A. Except as otherwise expressly provided in this Charter, have all the powers and perform all the duties conferred or imposed upon a county comptroller or the chief fiscal officer of a county under the County Law, and have charge of the administration of all the financial affairs of the County," and "M. Receive and have custody of all public funds belonging to or handled by the County." The activity in these accounts is clearly Trust and Agency and the Comptroller is ultimately the custodian of funds for the County, including those managed by the Bureau. However, if the Bureau would like to have the Comptroller designate custodial responsibility of the funds to them, the Bureau must adhere to the rules and other guidance with respect to such custody promulgated by the Comptroller in order to reduce the risk of fraud and other malfeasance.

No modification of the audit report for this finding is warranted.

**Finding 2:**

There is an inadequate segregation of duties regarding the Bureau's disbursements.

Bureau's Response:

The Bureau stated in its response that it has implemented a more comprehensive procedure pertaining to the segregation of duties in regard to cash disbursements and that it has applied additional checks and balances to validate tasks performed by employees are in compliance with the segregation of duties.

Comptroller's Response:

The Comptroller's Office is pleased that the Bureau has taken corrective action regarding this finding. No modification of the audit report for this finding is warranted.

**Finding 3:**

There is an inadequate segregation of duties regarding the Bureau's cash receipts.

Bureau's Response:

The Bureau stated in its response that it has crafted several additional procedures to address the separation of duties concerning the custody and recordkeeping functions for cash receipts, and that the integration of the upgraded accounting portion of the CivilServe software has enabled the Bureau to facilitate these refinements.

Comptroller's Response:

The Comptroller's Office is pleased that the Bureau has taken corrective action regarding this finding. No modification of the audit report for this finding is warranted.

**Finding 4:**

The Bureau did not submit copies of bank statements and bank reconciliations with SCIN Form 212 to Finance and Taxation each month.

Bureau's Response:

The Bureau contends in its response that it is presently preparing monthly bank reconciliations for current and previous months since the implementation of the upgraded accounting system. In addition, the Bureau asserts that all bank reconciliations will be able to be submitted from CivilServe with the supporting reports directly from the program, with SCIN Form 212 and the bank statements.

Comptroller's Response:

The Comptroller's Office is pleased that the Bureau is taking corrective action regarding this finding and is hopeful that the upgraded accounting system will facilitate the required monthly submissions. No modification of the audit report for this finding is warranted.

**Finding 5:**

The Bureau's Accounting Department has not performed any bank reconciliations since March 2017.

Bureau's Response:

The Bureau stated in its response that it is presently preparing monthly bank reconciliations for current and previous months since the implementation of the upgraded accounting system. In addition, the Bureau asserts that all bank reconciliations will be able to be submitted from CivilServe with the supporting reports directly from the program, with SCIN Form 212 and the bank statements.

Comptroller's Response:

The Comptroller's Office is pleased that the Bureau is taking corrective action regarding this finding. However, the Bureau should ensure that all bank reconciliations which were not performed from March 2017 through the present month are completed and submitted along with the bank statements and SCIN Form 212 to the Department of Audit and Control, Finance and Taxation Division. No modification of the audit report for this finding is warranted.

**Finding 6:**

The Bureau's Income Account was overdrawn by \$89,452 in January 2017 and the Bails and Fines Valley National Bank account was overdrawn by \$78,826 in February 2017.

Bureau's Response:

The Bureau contends in its response that the \$89,452 overdrawn from the Bureau's Income Account was partially attributed to the deposit of funds into one account and the same funds being disbursed from another account. In addition, the Bureau stated that this accounting error had been repeated in prior months, discrepancies in the transfers to cover those disbursements were found, and discrepancies in spreadsheets used for bank reconciliations were discovered and explanations were unattainable. Furthermore, the Bureau asserts that the adjustments made to the upgraded accounting system have facilitated the elimination of "fake checks" and that funds are now being deposited into the appropriate bank accounts.

Comptroller's Response:

The Comptroller's Office is pleased that the Bureau has discontinued the use of "fake checks" and that funds are now being deposited into the appropriate bank accounts. However, the

Comptroller's Office is concerned about the discrepancies in the transfers to cover disbursements and the discrepancies in spreadsheets used for bank reconciliations which were discovered by the Bureau, but for which explanations were unattainable. The Bureau should further investigate these discrepancies to ensure funds were not misappropriated. No modification of the audit report for this finding is warranted.

**Finding 7:**

The Bureau does not adequately safeguard assets.

Bureau's Response:

The Bureau stated in its response that it has implemented policies to safeguard assets and is currently updating written procedures to reflect these policies.

Comptroller's Response:

The Comptroller's Office is pleased that the Bureau has taken corrective action regarding this finding. No modification of the audit report for this finding is warranted.

**Finding 8:**

There is inadequate segregation of duties regarding the recordkeeping functions of cash receipts for the Income Account and the Warrant to Remove Account.

Bureau's Response:

The Bureau stated in its response that it has reassigned some of the accounting functions so that deposits are performed by one employee and the posting of checks to the cases in the Income and Warrant to Remove accounts are carried out by separate employees.

Comptroller's Response:

The Comptroller's Office is pleased that the Bureau has taken corrective action regarding this finding. No modification of the audit report for this finding is warranted.

**Finding 9:**

The Bureau was unable to provide execution orders that entitle the plaintiff to the disbursement.

Bureau's Response:

The Bureau contends in its response that it makes every attempt to properly maintain all case files, including the original executions.

Comptroller's Response:

The Bureau did not dispute the audit finding; therefore, no modification of the audit report for this finding is warranted.

**Finding 10:**

The attorney listed on the execution order does not match the attorney to whom the disbursement was paid.

Bureau's Response:

The Bureau contends in its response that it makes every attempt to ensure that change of attorney letters are obtained and kept in each case file prior to issuing disbursements to a new attorney. In addition, the Bureau claims that it is in the process of implementing a function of the upgraded accounting system which will allow any correspondence to be scanned and attached to the case.

Comptroller's Response:

The Comptroller's Office is pleased that the Bureau has taken corrective action regarding this finding. No modification of the audit report for this finding is warranted.

**Finding 11:**

Interest revenue was not properly recorded in the County's Integrated Financial Management System (IFMS).

Bureau's Response:

The Bureau asserts in its response that it now records all revenue correctly in IFMS along with the required supporting documentation and that this function has been executed utilizing the new upgrade.

Comptroller's Response:

The Comptroller's Office is pleased that the Bureau has taken corrective action regarding this finding. No modification of the audit report for this finding is warranted.

**Finding 12:**

The Bureau does not void and reissue stale dated checks (checks more than 180 days old) and does not utilize CivilServe's outstanding check report to void stale dated checks.

Bureau's Response:

The Bureau stated in its response that it is currently devising an accurate outstanding check list on CivilServe so the program will be able to generate precise funds to be abandoned and remitted as unclaimed to the Comptroller's Office with the 180 day time frame.

Comptroller's Response:

The Comptroller's Office is pleased that the Bureau has taken corrective action regarding this finding. No modification of the audit report for this finding is warranted.

**Finding 13:**

The Bureau did not maintain an inventory record of blank checks.

Bureau's Response:

The Bureau stated in its response that it has created and maintained an inventory record of all blank checks per the recommendation of the audit.

Comptroller's Response:

The Comptroller's Office is pleased that the Bureau has taken corrective action regarding this finding. No modification of the audit report for this finding is warranted.

**Finding 14:**

Cash and checks are not always deposited within twenty-four hours of receipt.

Bureau's Response:

The Bureau stated in its response that it prepares deposits for all cash and check entries the following business day and submits a bank bag containing the abovementioned deposits to a Sergeant for deposit at the bank the same evening.

Comptroller's Response:

The Bureau did not dispute the audit finding; therefore, no modification of the audit report for this finding is warranted.

**Finding 15:**

The Bureau failed to comply with the provisions of SOP D-08 and remit revenue to the Comptroller's Office within ten days after the end of the month or sooner.

Bureau's Response:

The Bureau contends in its response that it has been remitting monthly revenue checks within ten business days to the Comptroller's Office since the implementation of the accounting upgrade.

Comptroller's Response:

The Comptroller's Office is pleased that the Bureau has taken corrective action regarding this finding. No modification of the audit report for this finding is warranted.

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We would like to take this opportunity to extend our gratitude to the personnel at the Bureau for their cooperation during the audit.