



County of Erie

MARK C. POLONCARZ

COMPTROLLER

November 19, 2008

Rachelle Cybulski, Acting Director
Erie County Department of Probation
One Niagara Plaza
Buffalo, New York 14202

**Re: Comptroller's Office Review of Probation/Youth Detention
Petty Cash Accounts**

Dear Ms. Cybulski:

The Erie County Comptroller's Office Division of Audit and Control (sometimes referred to as the "Office" or "we") recently completed a review of the petty cash accounts associated with the Department of Probation ("Probation") and the Division of Youth Detention ("Youth Detention"). This review was commenced following our Office's receipt of an inquiry from a Probation employee regarding alleged excess cash in Probation's petty cash account.

According to official county records, Probation is authorized to have petty cash in the amount of \$300. However, we found that cash and receipts in Probation totaled \$1,481.21. Similarly, Youth Detention is authorized to have petty cash in the amount of \$1,075 but we only found cash and receipts in this division totaling \$574.90. At Family Court Detention, we found cash and receipts totaling \$45.40 when that unit is authorized to have only \$25.00. Combined, these accounts totaled \$2,101.51 or \$701.51 more than authorized.

Our review found significant deficiencies in the maintenance of these petty cash accounts. The following are the primary causes of the discrepancies noted:

- Monthly reconciliations of the petty cash accounts are not consistently or properly prepared;
- The absence or inadequacy of transition documentation (formally turning over the petty cash and receipts from the predecessor to the successor custodian);
- Non-compliance with petty cash replenishment procedures;
- Loss of receipts awaiting reimbursement;
- Commingling both personal funds and/or miscellaneous revenue with petty cash; and

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- Unauthorized/inappropriate movement of funds from one petty cash account to another.

Background

In 2002, the separate Departments of Probation and Youth Detention Services were combined into one department. In addition, management of the separate Youth Board and Youth Bureau came under the responsibility of the Probation Director-Youth Commissioner. This organizational format continued until 2006 when another restructuring took place. Probation became a separate department under the County Executive and Youth Services/Bureau and Youth Detention became divisions under the Department of Human Services (now overseen by the County's Commissioner of Social Services).

Probation

Probation historically has had only \$300 in petty cash of which \$200 represented a \$100 change fund for each of that department's two cashiers' cash drawers. We could not determine how or when additional funds became available for inclusion with Probation's original \$300 petty cash fund causing the current excess. However, we became aware that personal funds of the custodian(s) may have been put into petty cash. This is against County policy.

We also found that miscellaneous revenue checks were being cashed and deposited into the Probation petty cash account. These checks are fees paid to either Probation or to individual probation officers for court appearances and testimonies. Some of these checks were made out to individual officers, but cashed by Probation. The funds were then deposited into the petty cash account. We were unable to determine how long this has been taking place and therefore we cannot determine the dollar value of these deposits. The direct impact of this practice is to overstate the petty cash balance and to understate Probation's miscellaneous revenue account.

WE RECOMMEND that no miscellaneous funds be added to petty cash. The only appropriate deposits should be the normal petty cash replenishment checks.

Further, **WE RECOMMEND** that Probation management takes necessary steps to ensure that all miscellaneous revenue checks are deposited into the proper account so that these funds can be recognized as departmental revenue and be properly recorded on the County's financial accounting system.

Lastly, it will be necessary to adjust the account downward to attain the authorized balance of \$300. Therefore, after replenishing petty cash with the receipts not yet reimbursed, **WE RECOMMEND** that Probation transfer \$500.10 to Youth Detention's petty cash fund and transfer an additional \$681.11 to the County's General Fund (see Exhibit 1) In the future, should Probation management determine that

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additional petty cash funds are required in excess of the amount currently authorized, **WE RECOMMEND** that management follow the appropriate County procedures for formally increasing the amount of their petty cash fund.

Youth Detention

Historically, this Division has maintained an initial petty cash fund of \$300. The \$300 was made up of a \$100 petty cash account for Youth Services (located at 462 Grider Street), a \$125 petty cash account for Detention (Downtown offices), a \$25 petty cash account for Detention lunch tokens (Downtown offices), and a \$50 petty cash account at the East Ferry Youth Detention site. In 1999 petty cash in this division was increased by \$400 with the inclusion of an account for the PINS grant (Persons In Need of Supervision). This additional \$400 petty cash account was closed in July 2001.

In 2002, Youth Detention proposed and received legislative approval of a resolution increasing the amount of petty cash from \$500 to \$1,000. However, we are unable to determine where the initial \$500 limit arose from, as they only had authority for a limit of \$300, and while the legislative resolution authorized a \$500 increase, the petty cash account actually increased by \$800.

Sometime between 2002 and present, there apparently was a commingling of petty cash funds from Youth Detention and Probation which caused the balances in the authorized totals to be so distorted. The problem was further compounded through the use of personal funds by the custodian(s), untimely and incomplete reconciliations, replenishing one petty cash fund with monies from another petty cash fund, the loss of receipts resulting in the inability to ask for replenishment of funds and the lack of continuity in ending balances from year to year and even month to month. Currently, the official records of the County indicate that Youth Detention is still authorized for \$1,100 (\$100 at 462 Grider Street, \$25 for lunch and bus tokens at Family Court Detention at One Niagara Square, and \$975 at East Ferry Street). While we were unable to locate the whereabouts or the disposition of the funds at Grider Street, we were informed that most likely these funds were absorbed into the E. Ferry Detention Facility petty cash fund which would bring the balance up to \$1,075.

Once again, **WE RECOMMEND** that no miscellaneous funds be added to petty cash. The only appropriate deposits should be the normal petty cash replenishment checks.

Additionally, **WE RECOMMEND** that Family Court Detention cease requesting replenishment of petty cash from the petty cash fund at the East Ferry Detention Facility. Management should ensure that the proper steps are followed in replenishing petty cash for the Family Court funds.

Pursuant to our review, and acknowledging that the current balance in the Family Court Detention petty cash was \$0.76, **WE RECOMMEND** that the custodian seeks

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replenishment of \$24.24 in receipts to bring the balance up to the authorized amount of \$25.

Further, **WE RECOMMEND** that the East Ferry Detention petty cash fund replenish the petty cash with the receipts not yet reimbursed and request that Probation transfer \$500.10 to their petty cash fund to bring the balance up to the \$1,075 as per the County's petty cash records (See Exhibit 1).

Because County's records still show the existence of the 462 Grider Street petty cash fund, **WE RECOMMEND** that management formally remove this account from the County's general ledger.

Lastly, **WE RECOMMEND** that Youth Detention formally request a reduction in the amount of petty cash authorized to \$500 and transfer \$575 to the County's General Fund. Based on our review, we believe Youth Detention no longer needs a petty cash fund totaling \$1,075. The purpose for which it was increased in 2002 is no longer applicable or appropriate for current operations.

Recommendations

Finally, we make the following recommendations for both Youth Detention and Probation:

WE RECOMMEND that responsible clerical personnel receive the necessary training to properly complete the petty cash reconciliation statement.

WE RECOMMEND that management establish written procedures documenting the steps to be taken when petty cash is turned over from one custodian to another to ensure the propriety of the cash and receipts on hand prior to transfer.

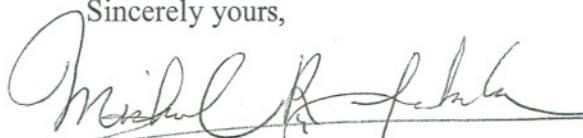
WE RECOMMEND that the custodians follow established replenishment procedures for petty cash and periodically confirm in writing to management the then current balances in petty cash accounts and that enough funds are readily available for the various miscellaneous purchases that are made. This prevents a shortage in available petty cash funds and helps prevent the loss or misplacement of receipts awaiting reimbursement.

WE RECOMMEND that personal funds never be used at any time or under any circumstances for petty cash payments in accordance with established County procedures.

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If you have any questions or would like to discuss our findings and recommendations in greater detail, please do not hesitate to contact me.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Michael R. Szukala", written over a horizontal line.

Michael R. Szukala, MBA, CIA
Deputy Comptroller-Audit

MRS/dt
Attachment

cc: Hon. Chris Collins, Erie County Executive
Erie County Legislature
Peter Vito, Commissioner of Central Police Services
Michael Weiner, Commissioner of Social Services
Gregory Gach, Director of Budget and Management
Erie County Fiscal Stability Authority

EXHIBIT 1

<u>Department</u>	<u>Location</u>	<u>Type</u>	<u>Authorized Amount</u>	<u>Cash and Receipts on Hand</u>	<u>Over/ (Under)</u>	<u>Disposition</u>
Youth Detention	462 Grider	Petty Cash	\$100	None	None	(1)
	25 Delaware	Lunch Tokens	\$25	\$45.40	\$20.40	(2)
	768 East Ferry	Petty Cash	\$975	\$574.90	(\$500.10)	(3)
			\$1,100	\$620.30	(\$479.70)	
Probation	One Niagara Sq.	Petty Cash	\$300	\$1,481.21	\$1,181.21	(4)
		Total	<u>\$1,400</u>	<u>\$2,101.51</u>	<u>\$701.51</u>	
		Over (Under)		\$701.51		

- (1) Officially remove this account from the County's books as we are unable to locate this account. We were informed by various persons that it is likely these funds were assimilated into the East Ferry petty cash fund.
- (2) Request reimbursement of \$24.24 in receipts to bring the balance back to \$25. This account is now located at One Niagara Square.
- (3) Request reimbursement of the outstanding receipts on hand and receive \$500.10 from Probation to bring the balance to \$1,075. This assumes the inclusion of the \$100 from Grider Street.
- (4) Request reimbursement of the outstanding receipts on hand. Send \$500.10 to Probation and send \$681.11 to the General Fund to bring the balance to the authorized amount of \$300.

NOTE: These figures are based on the cash and receipts we counted during our review. We recognize that since that time both cash and receipts on hand may have changed.