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STATE OF WEST VIRGINIA
AUDIT REPORT
OF

STATE TREASURER'S CHECK-CASHING SERVICE
FOR THE PERIOD
FEBRUARY 5, 1992 - JULY 26, 1993



OFFICE OF LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305

STATE TREASURER'S CHECK-CASHING SERVICE

FOR THE PERIOD

FEBRUARY 5, 1992 - JULY 26, 1993

WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

LEGISLATIVE POSTAUDIT DIVISION
BUILDING 5, ROOM 751A
CAPITOL COMPLEX



PHONE 348-2154
AREA CODE 304

CHARLESTON, WEST VIRGINIA 25305

The Joint Committee on Government and Finance:

In compliance with the provisions of the West Virginia Code, Chapter 12, Article 4, Section 12, as amended, an audit has been completed of the State Treasurer's Check-Cashing Service.

Our audit covers the period February 5, 1992 through July 26, 1993. The results of this audit are set forth on the following pages of this report.

Respectfully submitted,


Theodora L. Shanklin, CPA, Director
Legislative Postaudit Division

TLS/tn

STATE TREASURER'S CHECK-CASHING SERVICE

TABLE OF CONTENTS

Exit Conference	1
Introduction	2
Administrative Officers and Staff	3
Summary of Findings, Recommendations and Responses	4
General Remarks	6
Independent Auditors' Opinion	9
Schedule of Transactions	10
Note to Schedule of Transactions	11
Certificate of Director, Legislative Postaudit Division	12

STATE TREASURER'S CHECK-CASHING SERVICE

EXIT CONFERENCE

We held an exit conference on October 5, 1993 with the Assistant Treasurer and Division Head of the West Virginia State Treasurer's Office. All findings and recommendations were reviewed and discussed. The State Treasurer's responses are included in italics in the Summary of Findings, Recommendations and Responses and after our recommendations in the General Remarks section of this report.

STATE TREASURER'S CHECK-CASHING SERVICE

INTRODUCTION

The State Treasurer's Check-Cashing Service was created by Chapter 12, Article 4, Section 12 of the West Virginia Code, as amended, which states,

"The treasurer may provide a check-cashing service at his office in the capitol building and may charge fees for such service for each check cashed and for each check returned for insufficient funds. For this purpose, he may establish from receipts in the treasury not more than two cash funds each in an initial amount not to exceed one hundred thousand dollars. He shall designate certain employees in his office who are to provide the service and have charge of such funds, and may require such employees to be bonded either individually or by blanket bonds. The cost of such bonds shall be paid out of the treasurer's current expense appropriation.

The fees received for such service shall be deposited in the cash funds and itemized accounts of such receipts shall be maintained. Any check determined by the treasurer to be uncollectible shall be charged against the fund from which it was cashed. The legislative auditor shall, at least annually, but may at any time, audit the cash funds and all accounts and records relating to the service provided pursuant to this section. If the amount of either cash fund (after charges for uncollectible checks) exceeds one hundred thousand dollars at the conclusion of any audit, the treasurer shall transfer such excess to the general revenue fund."

STATE TREASURER'S CHECK-CASHING SERVICE

ADMINISTRATIVE OFFICERS AND STAFF

JULY 26, 1993

Larrie Bailey State Treasurer
Sam Cole Assistant Treasurer
Gail Moore Division Head
Jayne Hudnall Cashier

STATE TREASURER'S CHECK-CASHING SERVICE
SUMMARY OF FINDINGS, RECOMMENDATIONS AND RESPONSES

COMPLIANCE MATTERS

Check-Cashing Fund

1. Our examination showed that Daily Cash Reports for each cash fund and the Combined Daily Cash Report were not completed on two of the 22 business days we tested. We were unable to determine the reason these reports were not prepared on these dates.

We recommend the State Treasury comply with the procedures for the State Treasurer's Check-Cashing Fund dealing with the completion of Daily Cash Reports and Combined Daily Cash Reports.

We will comply with this audit recommendation. (See pages 6-7.)

2. Our cash count revealed an overage of \$14.12 in the check-cashing fund at the close of business on July 26, 1993.

We recommend the State Treasurer transfer the overage of \$14.12 to the State General Revenue Fund as set forth in Chapter 12, Article 4, Section 12 of the West Virginia Code, as amended.

We will comply with this audit recommendation. (See pages 7-8.)

Service Charge Fee Fund

3. A total of \$490.00 in service charge fees for returned checks were collected between February 5, 1992 and July 26, 1993. Since there were no uncollectible checks being held on July 26, 1993, the balance of \$490.00 should be transferred to the State General Revenue Fund.

We recommend the State Treasurer transfer \$490.00 of service charge fees to the State General Revenue Fund as set forth in Chapter 12, Article 4, Section 12 of the West Virginia Code, as amended.

We will comply with this audit recommendation. (See page 8.)

STATE TREASURER'S CHECK-CASHING SERVICE

GENERAL REMARKS

INTRODUCTION

We have completed a postaudit of the West Virginia State Treasurer's Check-Cashing Service. The audit covered the period February 5, 1992 through July 26, 1993.

CHECK-CASHING FUND

In accordance with the West Virginia Code, Chapter 12, Article 4, Section 12, as amended, the West Virginia State Treasurer may establish two cash funds, each in an amount not to exceed \$100,000.00 for the purpose of providing a check-cashing service.

SERVICE CHARGE FEE FUND

The receipts for this fund are derived from a fee collected on each returned check redeemed at the cashier's window. The fee was \$10.00 during the period of the audit.

COMPLIANCE MATTERS

Chapter 12, Article 4, Section 12 of the West Virginia Code, as amended, generally governs the State Treasurer's Check-Cashing Service. We tested the above section plus applicable State regulations as they pertain to fiscal matters. Our findings are discussed as follows.

Check-Cashing Fund

Our examination of the check-cashing funds showed that the Daily Cash Report for Funds I and IV and the Combined Daily Cash Report were not available for September 9, 1992 and October 8, 1992, which were two of the 22 business days selected for testing during the period February 5, 1992 through July 26, 1993. The procedures for the State Treasurer's Check-Cashing Fund state in part,

"... 8. Completes Daily Cash Report by using tapes received from Step 6, balances all required areas, and records all NSF checks returned by the bank and those NSF checks redeemed for the day in the NSF check register.

9. Takes information recorded on each cashier's Daily Cash Report and completes the Combined Fund Daily Report by balancing all worksheets together to get the total maintained in both funds. Each Safekeeping Cashier must then sign (or initial) the Combined Report to attest to the balance of their fund. If a fund's Safekeeping Cashier is absent, the active fund's cashier will carry the inactive fund's previous balance forward. The absent cashier will then initial the Daily Combined Funds Cash Report on the days absent to attest to the balance of their fund."

The completion of these reports document the daily activities of the individual check-cashing funds and the accounting of the \$100,000.00 balance of each fund. The treasury personnel assigned responsibility for the check-cashing funds were unable to tell us why these reports were not completed.

We recommend the State Treasury comply with the procedures for the State Treasurer's Check-Cashing Fund dealing with the completion of Daily Cash Reports and Combined Daily Cash Reports.

Your findings which represent two dates which had not been signed off as balanced by our check-cashing tellers, has been brought to their attention and corrected.

According to our cash count on July 26, 1993, an overage existed in the State Treasurer's Check-Cashing Fund totaling \$14.12. Chapter 12, Article 4, Section 12 of the West Virginia, as amended, states in part,

"... If the amount of either cash fund (after charges for uncollectible checks) exceeds one hundred thousand dollars at the conclusion of any audit, the treasurer shall transfer such excess to the general revenue fund."

We recommend the State Treasurer transfer the overage of \$14.12 to the State General Revenue Fund as set forth in Chapter 12, Article 4, Section 12 of the West Virginia Code, as amended.

Additionally, monies you recommended to be transferred in accordance with Chapter 12, Article 4, Section 12 of the West Virginia Code, as amended, has been complied with. The Amount transferred \$504.12.

Service Charge Fee Fund

According to all available records, collection fees on returned checks for the audit period amounted to \$490.00. As of July 26, 1993, the cash count also showed a balance of \$490.00 in the Service Charge Fee Fund. Chapter 12, Article 4, Section 12 of the West Virginia Code, as amended, states in part,

"... If the amount of either cash fund (after charges for uncollectible checks) exceeds one hundred thousand dollars at the conclusion of any audit, the treasurer shall transfer such excess to the general revenue fund."

We recommend the State Treasurer transfer \$490.00 of service charge fees to the State General Revenue Fund as set forth in Chapter 12, Article 4, Section 12 of the West Virginia Code, as amended.

Additionally, monies you recommended to be transferred in accordance with Chapter 12, Article 4, Section 12 of the West Virginia Code, as amended, has been complied with. The Amount transferred \$504.12.

INDEPENDENT AUDITORS' OPINION

The Joint Committee on Government and Finance:

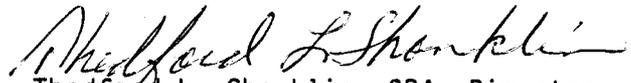
We have audited the schedule of transactions of the State Treasurer's Check-Cashing Service for the period July 1, 1993 through July 26, 1993, year ended June 30, 1993 and for the period February 5, 1992 through June 30, 1992. The schedule of transactions of the State Treasurer's Check-Cashing Service is the responsibility of the management of the West Virginia State Treasury. Our responsibility is to express an opinion on the schedule of transactions of the State Treasurer's Check-Cashing Service based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of transactions of the State Treasurer's Check-Cashing Service is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule of transactions of the State Treasurer's Check-Cashing Service. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule of transactions of the State Treasurer's Check-Cashing Service. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A, the schedule of transactions of the State Treasurer's Check-Cashing Service was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the schedule of transactions referred to above presents fairly, in all material respects, the transactions of the State Treasurer's Check-Cashing Service for the period July 1, 1993 through July 26, 1993, year ended June 30, 1993 and for the period February 5, 1992 through June 30, 1992, on the basis of accounting described in Note A.

Respectfully submitted,


Theodford L. Shanklin, CPA, Director
Legislative Postaudit Division

August 9, 1993

Auditors: Michael E. Sizemore, CPA, Supervisor
Harvey Burke
Neil M. McEachron, Jr.

STATE TREASURER'S CHECK-CASHING SERVICE

SCHEDULE OF TRANSACTIONS

	For the Period July 1, 1993 through July 26, 1993	Year Ended June 30, 1993	For the Period February 5, 1992 through June 30, 1992
Beginning Balance:			
Check-Cashing Fund	\$200,000.00	\$200,000.00	\$199,900.00
Service Charge Fee Fund	460.00	210.00	380.00
	<u>200,460.00</u>	<u>200,210.00</u>	<u>200,280.00</u>
Cash Receipts:			
Service Charge Fees From Returned Checks	30.00	250.00	210.00
Overage Due to Ordinary Course of Business	14.12	-0-	-0-
	<u>44.12</u>	<u>250.00</u>	<u>210.00</u>
TOTAL CASH TO ACCOUNT FOR	<u>\$200,504.12</u>	<u>\$200,460.00</u>	<u>\$200,490.00</u>
Disbursements:			
Transfer to General Revenue Fund	\$ -0-	\$ -0-	\$ 280.00
Ending Balance:			
Check-Cashing Fund	200,014.12	200,000.00	200,000.00
Service Charge Fee Fund	490.00	460.00	210.00
	<u>200,504.12</u>	<u>200,460.00</u>	<u>200,210.00</u>
TOTAL CASH ACCOUNTED FOR	<u>\$200,504.12</u>	<u>\$200,460.00</u>	<u>\$200,490.00</u>

See Note to Schedule of Transactions

STATE TREASURER'S CHECK-CASHING SERVICE

NOTE TO SCHEDULE OF TRANSACTIONS

Note A - Accounting Policy

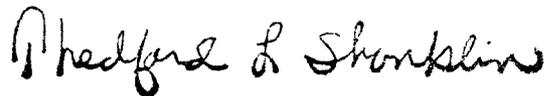
Accounting Method: The State Treasurer's accounting method for the check-cashing service is on the cash basis of accounting. Therefore, certain revenues and the related assets are recognized when received rather than when earned, and certain disbursements are recognized when made rather than when the obligation is incurred.

STATE OF WEST VIRGINIA

OFFICE OF LEGISLATIVE AUDITOR, TO WIT:

I, Thedford L. Shanklin, CPA, Director of the Legislative Postaudit Division, do hereby certify that the report of audit appended hereto was made under my direction and supervision, under the provisions of the West Virginia Code, Chapter 12, Article 4, Section 12, as amended, and that the same is a true and correct copy of said report.

Given under my hand the 14th day of November,
1993.



Thedford L. Shanklin, CPA, Director
Legislative Postaudit Division

Copy forwarded to the Secretary of the Department of Administration to be filed as a public record. Copies forwarded to the State Treasurer; Governor; Attorney General; and, State Auditor.