

STATE OF WEST VIRGINIA  
AUDIT REPORT  
OF

STATE TREASURER'S CHECK-CASHING SERVICE  
FOR THE PERIOD  
JULY 26, 1993 TO JUNE 30, 1994



OFFICE OF LEGISLATIVE AUDITOR  
Legislative Post Audit Division  
CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305

**STATE TREASURER'S CHECK-CASHING SERVICE**

**FOR THE PERIOD**

**JULY 26, 1993 TO JUNE 30, 1994**

**STATE TREASURER'S CHECK-CASHING SERVICE**

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**WEST VIRGINIA LEGISLATURE**  
*Joint Committee on Government and Finance*



Legislative Post Audit Division  
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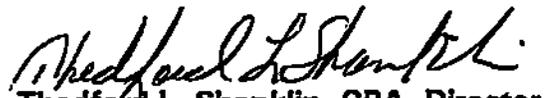
CHARLESTON, WEST VIRGINIA 25305

**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 July 26, 1993 through June 30, 1994. The results of this audit are set forth on the following pages of this report.

Respectfully submitted,

  
Theford L. Shanklin, CPA, Director  
Legislative Post Audit Division

TLS/tnd

**STATE TREASURER'S CHECK-CASHING SERVICE**

**EXIT CONFERENCE**

We held an exit conference on September 29, 1994, with the Assistant Treasurer 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 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 services 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**

**JUNE 30, 1994**

Larrie Bailey . . . . .	State Treasurer
Sam Cole . . . . .	Assistant Treasurer
Gail Moore Scott . . . . .	Division Head
Melissa Neace . . . . .	Cashier
Carolyn Legg . . . . .	Cashier

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

**COMPLIANCE MATTERS**

**Check-Cashing Fund**

1. Our cash count revealed an overage of \$4.23 in the check cashing fund at the close of business of June 29, 1994.

We recommend that the Treasurer's Office transfer the overage of \$4.23 to the state general revenue fund as set forth in Chapter 12, Article 4, Section 12 of the West Virginia Code, as amended.

**AGENCY RESPONSE**

*We will comply with this recommendation. (See page 7.)*

2. Our examination revealed that checks were not always taken to the bank daily to be exchanged for cash.

We recommend that the State Treasurer's Office follow their Check Cashing Services Procedures and State of West Virginia Office of the Treasurer Check Cashing Policy as it applies to the daily ordering of cash in exchange for checks that were redeemed.

**AGENCY RESPONSE**

*We will comply with this recommendation. (See pages 7 and 8.)*

**Service Charge Fee**

3. A total of \$700.00 in service charge fees for returned checks were collected between July 26, 1993 and June 30, 1994. Two uncollectible checks were outstanding as of June 30, 1994; however, the \$20.00 on these checks was collected during the course of our fieldwork.

We recommend that the Treasurer's Office transfer the \$700.00 in returned check service fees to the state general revenue fund as required by West Virginia Code Chapter 12, Article 4, Section 12.

**AGENCY RESPONSE**

*We will comply with this recommendation. (See pages 8 and 9.)*

## **STATE TREASURER'S CHECK-CASHING SERVICE**

### **GENERAL REMARKS**

#### **INTRODUCTION**

We have completed a post audit of the West Virginia State Treasurer's Check-Cashing Service. The audit covered the period July 26, 1993 to June 30, 1994.

#### **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**

According to our cash count on June 28-29, 1994, an overage existed in the State Treasurer's Check Cashing Fund totaling \$4.23. 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 that the State Treasurer transfer the overage of \$4.23 to the general revenue fund as set forth in Chapter 12, Article 4, Section 12 of the West Virginia Code, as amended.

***AGENCY RESPONSE:***

*We will comply with this recommendation.*

During the course of our audit of the State Treasurer's Check-Cashing Service, we noted that written procedures are not being followed in regard to sending the checks to the bank daily. The Check Cashing Services Procedures of the West Virginia Treasurer's Office, number 7, states,

"Calls the bank to order the money to be received for the next morning."

The State of West Virginia Office of the Treasurer Check Cashing Policy as of March 11, 1992, also states that bank deposits will be made daily. Statement number 5, of the policy states,

"Check Deposit: All checks will be deposited the following day into a bank, with NO checks being held."

This effects the recordkeeping process. By not depositing checks on a daily basis, the totals are carried to the next business day which makes it difficult to follow a cashier's transactions thereby allowing errors to be undetected for a period of time. This also allows customers to have checks outstanding for a longer period of time and if the check is not covered by sufficient funds in the customer's account it lengthens the time that it takes for the Treasurer's Office to be notified of the insufficient funds and to recover the amount from the customer.

This condition is caused by the failure of the personnel to take the checks to the bank and adhering to that policy regardless of the number of transactions processed or how busy the personnel are that day.

We recommend that the Treasurer's Office follow their written procedures as outlined in Check Cashing Services Procedures and in the State of West Virginia Office of the Treasurer Check Cashing Policy as of March 11, 1992.

***AGENCY RESPONSE:***

*We will comply with this audit recommendation.*

**SERVICE CHARGE FEE FUND**

According to all available records, our audit disclosed that collection fees on returned checks for the audit period amounted to \$720.00, which included \$20.00 that had not been collected as of the date of our audit. As of June 30, 1994, the cash count showed a balance of \$700.00 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 that the State Treasurer transfer the \$700.00 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.

***AGENCY RESPONSE:***

*We will comply with this audit recommendation.*

## INDEPENDENT AUDITORS' OPINION

The Joint Committee on Government and Finance:

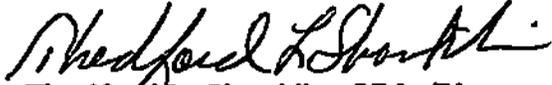
We have audited the schedule of transactions of the State Treasurer's Check-Cashing Service for the period July 26, 1993 to June 30, 1994. The schedule of transactions of the State Treasurer's Check-Cashing Service is the responsibility of the management of the West Virginia State Treasury. Our responsibility 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. These 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 26, 1993 to June 30, 1994.

Respectfully submitted,

  
Thedford L. Shanklin, CPA, Director  
Legislative Post Audit Division

August 1, 1994

Auditors: Ellen Quillen, CPA, Supervisor  
Kristi Ernest

**STATE TREASURER'S CHECK-CASHING SERVICE**

**SCHEDULE OF TRANSACTIONS**

For the Period  
July 29, 1993  
through  
June 30, 1994

**Beginning Balance:**

Check Cashing Fee	\$200,014.12
Service Charge Fee Fund	<u>490.00</u>
	200,504.12

**Cash Receipts:**

Service Charge Fee From Returned Checks	700.00
Overage Due to Ordinary Course of Business	<u>4.23</u>
	<u>704.23</u>

**TOTAL CASH TO ACCOUNT FOR** \$201,208.35

**Disbursements:**

Transfer to General Revenue Fund	\$ 504.12
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**Ending Balance:**

Check Cashing Fund	200,004.23
Service Charge Fee Fund	<u>700.00</u>
	<u>201,208.35</u>

**TOTAL CASH ACCOUNTED FOR** \$201,208.35

**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.

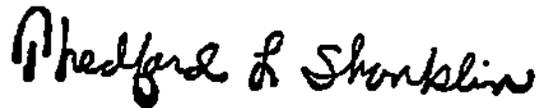
**STATE OF WEST VIRGINIA**

**OFFICE OF LEGISLATIVE AUDITOR: TO WIT:**

I, Thedford L. Shanklin, CPA, Director of the Legislative Post Audit 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 4<sup>th</sup> day of October,

1994.



**Thedford L. Shanklin, CPA, Director  
Legislative Post Audit 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.**