

MARICOPA COUNTY SHERIFF'S OFFICE

Bureau of Internal Oversight

Audits and Inspections Unit



Judicial Enforcement Division Cash Handling Audit

Report # A2024-0001

Introduction

On February 22, 2024, the Bureau of Internal Oversight received a request for an audit of the Cash Handling Process by the Judicial Enforcement Division (JED) command staff. JED also requested to have the internal controls process reviewed within the Division. The command staff wants to ensure controls are in place regarding cash handling and consistency with cash handling per MCSO policy GD-12.

Procedures

On April 30, 2024, the Audit and Inspections Unit (AIU) conducted an opening audit conference regarding a cash handling audit with JED command staff. During this conference, AIU explained the audit process and arranged with JED command staff for follow-up meetings to learn about the cash handling procedures, internal controls, and check processing and controls.

After the initial opening conference, AIU formulated a plan that allowed the team to focus its resources and create an organized approach to conducting the audit. Additionally, AIU conducted an on-site visit to JED to observe the cash handling process on May 30, 2024. During this visit, the team gained a better understanding of how JED employees process, handle cash, and the internal controls in place.

AIU held several additional meetings with JED staff to further our knowledge of the cash handling process, obtaining insight from the Sheriff's Records Specialist (SRS), SRS Senior, and SRS Supervisor positions in regard to internal controls (segregation of duties), deposit process, and cash handling.

Criteria

MCSO Policy GD-12, *Collecting, Safeguarding, and Disbursing Cash*
Judicial Enforcement Division Operations Manual
State of Arizona Accounting Manual/Arizona GAO Cash Procedures
ARS 11-445, Fees chargeable in civil actions by sheriffs and constables; standardized daily activity logs

General Objectives

To determine if MCSO JED has adequate controls to ensure:

- Segregation of duties
- Consistency in processes between staff members and locations
- Cash handling and bank deposit processes
- Determine if cash counts in and out of the safe are conducted (Safe Logs)
- Adequate staffing levels are maintained based on the volume of work
- Consistency in training

Scope

The Bureau of Internal Oversight (BIO) conducted a procedural audit of the JED cash handling process. The audit period was determined by the audit tests performed. In general, our work covered activities from April 2024 through August 2024. This report and its recommendations are based on information taken from interviews and observations and do not represent an examination of all related transactions and activities.

Methodology

The audit included a review and analysis of the process for cash handling and internal controls, check processing and controls, and consistency in training. We utilized several methodologies to achieve the stated objectives. These evidence-gathering techniques included, but were not limited to, the following:

- Collecting information and documentation
- Conducting interviews with appropriate MCSO employees
- Observing facilities and processes
- Reviewing electronic and paper records
- Reviewing internal manuals and procedures
- Performing selected in-depth analyses of events and other procedures, and
- Final analysis and evaluation of the observations

Judicial Enforcement Division

The Judicial Enforcement Division is organized into two main functions, Administrative and Sworn Operations. The Administrative Section is staffed by civilian personnel, classified as Sheriff's Records Specialists. The Sworn Operations Section is staffed by Deputy Sheriffs.

The administrative section is broken into 4 units which are:

- Civil Process
- Tax Collections
- Adult Business Licensing (ABL)/Pawnshop (2 units)

The Civil Process Section serves all Maricopa County Superior Court civil processes including Civil/Criminal Summons/Subpoenas, Orders of Protection, Garnishments, and various Family Court documents, as well as various other in-state and out-of-state court documents and processes. This section is also responsible for enforcing and holding Sheriff Sales to recoup judgment money owed through Writs of General or Special Execution, as well as processing and enforcing Writs of Restitution, Replevins, and attachments.

The Tax Collections Unit handles the collection of delinquent personal property taxes on mobile homes and business assets including the seizure and sale of personal property to satisfy the tax bill.

The Pawnshop Unit handles issuing Pawnshop licenses for Maricopa County, coordinating hearings for suspension and revocation of pawnshop licenses, investigating the recovery of stolen property recovered in any pawnshop within the county, and the coordination of the release of that property.

The Adult Business Licensing is responsible for processing Adult Business Licenses and Permits for adult establishments located in unincorporated areas.

Cash Handling Process

The cash handling process involves the following positions:

- Sheriff's Record Specialist (SRS) – provides judicial administrative support and takes payments from customers.
- Sheriff's Record Specialist Senior (Sr. SRS)– Responsible for the training of JED Division employees, taking payments, and assisting with the opening/closing cash drawer.
- Sheriff's Record Specialist Supervisor – (SRS Supervisor) Responsible for supervising the Specialists and Seniors, opening/closing cash drawer.
- JED Records Manager- Responsible for managing operations and ensuring all work is completed in compliance with applicable MCSO policies, JED Operations Manual, and applicable state law.

It should be noted that the Specialist position refers to the tiered JED Sheriff's Record Specialist positions who have received training in specialized legal, clerical, and customer service support and perform civil process documentation within the judicial system. The Specialist takes payments and applications for the other units that are under the Judicial Enforcement Division.

Internal Controls Process

Segregation of duties is an internal control process that aims to prevent fraud and errors by ensuring that at least two people are responsible for different parts of a task.

The Internal Controls in place for JED employees involves the following tasks:

- Cash handling (Open/Close) cash drawers – at the beginning of the day and end of the day, a supervisor or senior and an employee will take the cash drawers to and from the safe.
- Mail processing – two employees will sort through the mail and will log checks on a spreadsheet. The checks will then go to the supervisors for distribution.
- Balancing of cash drawers – employees will take in payments during the day and a supervisor or senior will balance the drawers.

The following tasks were found not to have segregation of duties:

- Bank Deposits – the same person who takes bank deposits to the bank also reconciles the account (has since been remedied).
- Reconciliation – the same person who reconciles the bank accounts handles the end-of-month reporting.
- End-of-month reporting – the person who handles end-of-month reporting also closes cash drawers and balances cash drawers.

Summary of Observations

It should be noted that prior to the auditors visiting and making observations the JED Command staff advised the employees regarding a visit from auditors. During interviews with JED staff, it was learned that employees were advised to follow policy GD-12 closely in March 2024. The first visit made to JED was on May 30, 2024.

During our first visit, auditors observed the reconciliation of cash drawers at the beginning of the workday. A supervisor and employee go to the safe and individually count the money in the cash drawer. Then they switch drawers and verify the cash in each drawer. Once completed the supervisor goes over to the cash register and puts each cash drawer in the

register and turns on the register. Civil Process employees are assigned by time to the cash register to enable employees to perform their cash register duties in addition to their other responsibilities. This allows for the distribution of the workload. Pawn/ABL employees are assigned by alternating days to their respective cash registers. During this visit, auditors asked about changing the safe combination and learned it hadn't been changed in years. It was also noted that access to the safe room was achieved by key only.

During our second visit, auditors again observed the reconciliation of cash drawers. This time, we watched as one employee counted the cash in both drawers and the other employee watched. This process is not the preferred process for counting cash. It is recommended that each cash drawer be counted by both employees for the purpose of ensuring accuracy in the count. A new security camera system was recently installed to monitor the safe room and the lobby area. Standardized money handling procedures pending implementation.

The mail process is completed by two employees of the ABL/Pawn unit. Once the employees complete sorting through the mail, any checks received will be entered on a spreadsheet. The checks are then forwarded to the supervisors who distribute the checks among their employees so they can start working on that case file.

Auditors observed the bank reconciliation which is conducted via the bank website and the Civil Serve software on or after the 17th of the month. Each transaction is reconciled through the bank statement and compared to the data in Civil Serve. After the bank reconciliation is completed, a report is sent to the Maricopa County Sheriff's Office Budget and Finance Bureau.

In other visits to the Judicial Enforcement Division, it was noted that the Northeast Office is staffed with a single employee, preventing the implementation of dual controls however with this exception, the operations appeared consistent with the main office. During conversations with supervisors and an SRS senior, it was noted that the SRS position entails a specialized knowledge of judicial procedures and terminology similar to that of a legal assistant. According to the supervisors it takes about 12 months to train an SRS to perform the entire function to standards.

Recommendations

- A. Evaluate and update procedures for all positions to ensure compliance with Policy GD-12, *Collecting, Safeguarding, and Disbursing Cash*, with an emphasis on segregation of duties.
- B. Evaluate current staffing levels to determine if there is a need for increased staffing based on work volume.
- C. Evaluate cash handling and banking duties currently performed by the manager for potential assignment to supervisors where possible.
- D. Evaluate and if necessary, update training manuals to ensure consistency in training employees.
- E. Partner with Human Resources to evaluate the job description for the position of Sheriff Records Specialist with the goal of redefining the position level to meet JED's business needs.
- F. Implement a procedure to change the safe combination on a periodic basis
- G. Consult with the building facility to discuss installing a swipe badge system for access to the safe room.

Conclusion:

All involved parties reviewed the report and recommendations on September 23, 2024, and found that the report met the identified objectives.

Date Started: February 22, 2024
Date Completed: August 15, 2024
Timeframe: April 1, 2024 – August 12, 2024
Assigned Auditors: Sr. Internal Auditor Specialized M. De La Cruz B4608
Sr. Internal Auditor Specialized D. Paul B5459
Sr. Internal Auditor Specialized R. Jamieson B3178

I have reviewed this inspection report.

Capt. Dominick Reaulo

Captain Dominick Reaulo S1678
Division Commander
Bureau of Internal Oversight

10/8/2024

Date