

STATE OF WEST VIRGINIA

AUDIT REPORT
OF

STATE TREASURER'S CHECK-CASHING SERVICE
FOR THE PERIOD
JULY 1, 1994 - APRIL 21, 1995



OFFICE OF LEGISLATIVE AUDITOR
Legislative Post Audit Division
CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305

STATE TREASURER'S CHECK-CASHING SERVICE

FOR THE PERIOD

JULY 1, 1994 - APRIL 21, 1995

WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

Legislative Post Audit Division
Building 5, Room 751A
Capitol Complex



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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 1, 1994 through April 21, 1995. The results of this audit are set forth on the following pages of this report.

Respectfully submitted,

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

TLS/tnt

STATE TREASURER'S CHECK-CASHING SERVICE

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STATE TREASURER'S CHECK-CASHING SERVICE

EXIT CONFERENCE

We held an exit conference on June 2, 1995, 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 capital 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

APRIL 21, 1995

Larrie Bailey State Treasurer
Sam Cole Assistant Treasurer
Gail Moore Scott Division Head
Melissa Neace 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 \$8.24 in the Check-Cashing Fund at the close of business on April 21, 1995.

We recommend the State Treasurer transfer the overage of \$8.24 to the State General Revenue Fund as set forth in Chapter 12, Article 4, Section 12 of the West Virginia Code, as amended.

AGENCY'S RESPONSE

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

2. We noted that on two days during the audit period the check cashing personnel did not complete the daily balancing procedures for the Check-Cashing Fund.

We recommend the State Treasurer's Office follow their Check-Cashing Policy regarding daily balancing of the Check-Cashing Fund.

AGENCY'S RESPONSE

We will comply with the audit recommendation. (See page 7)

Service Charge Fee Fund

1. According to the available records, service fees on returned checks totaled \$400.00 in the audit period; however, our cash count showed only \$390.00 meaning a shortage of \$10.00 as of April 21, 1995.

We recommend the State Treasurer's Office attempt to discover when the \$10.00 shortage occurred. In addition, we recommend the State Treasurer consider developing a policy outlining the balancing procedures for the Service Charge Fee Fund. Also, we recommend the State Treasurer transfer the collected returned service fees to the State General Revenue Fund as required by Chapter 12, Article 4, Section 12 of the West Virginia Code, as amended.

AGENCY'S RESPONSE

The account will be restored to include the \$10.00 deficit and deposited in the General Revenue Fund. (See pages 7-9)

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 1, 1994 through April 21, 1995.

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 the cash count conducted on April 21, 1995, an overage existed in the State Treasurer's Check-Cashing Service totalling \$8.24. 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 the overage of \$8.24 to the State General Revenue Fund as set forth in Chapter 12, Article 4, Section 12 of the West Virginia Code, as amended.

AGENCY'S RESPONSE

We will comply with the audit recommendation.

During the course of our audit, we noted that on two days during the audit period the check cashing personnel did not complete the daily balancing procedures for the check-cashing fund. Specifically, Fund I was not balanced at the close of business on July 28, 1994 and Fund IV was not balanced at the close of business on November 4, 1994. The Check-Cashing Policy of the West Virginia State Treasurer's Office states in part,

"Each check cashing fund, which is active during the day, shall be balanced daily by completing a Daily Cash Count Report...."

We recommend the State Treasurer's Office follow their Check-Cashing Policy regarding daily balancing of the Check-Cashing Fund.

AGENCY'S RESPONSE

Our in-house policies were updated today to comply with all recommendations you outline in your correspondence.

SERVICE CHARGE FEE FUND

A total of \$400.00 in service charge fees were collected during the period July 1, 1994 through April 21, 1995. Chapter 12,

Article 4, Section 12, of the West Virginia Code, as amended, states in part,

"The treasurer may provide a check-cashing service at his office in the capitol building and may charge fees for each check cashed and for each check returned for insufficient funds....The fees received for such service shall be deposited in the cash funds and itemized accounts of such receipts shall be maintained....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."

However, our cash count conducted at the close of business on April 21, 1995 reflected a balance of \$390.00 resulting in a shortage of \$10.00 in the Service Charge Fee Fund. The check cashing personnel did not balance the Service Charge Fee Fund on a daily basis and we were unable to determine when the \$10.00 shortage developed.

We recommend the State Treasurer's Office attempt to discover when the \$10.00 shortage occurred. In addition, we recommend the State Treasurer consider developing a policy outlining the balancing procedures for the Service Charge Fee Fund. Also, we recommend the State Treasurer transfer the collected returned check service fees to the State General Revenue Fund as required by Chapter 12, Article 4, Section 12 of the West Virginia Code, as amended.

AGENCY'S RESPONSE

We have not established, as requested, exactly what date the shortage in the Service Charge Fee Fund account of \$10.00 occurred, since they were not being balanced on a daily basis. However, this account will be restored to include the \$10.00

deficit and deposited in the General Revenue Account as required by Chapter 12, Article 4, Section 12, of the West Virginia Code.

INDEPENDENT AUDITORS' OPINION

The Joint Committee on Government and Finance:

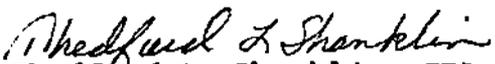
We have audited the schedule of transactions of the State Treasurer's Check-Cashing Service for the period July 1, 1994 to April 21, 1995. The schedule of transactions of the State Treasurer's Check-Cashing Service is the responsibility of the management of the West Virginia State Treasury. Our responsibility 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 1, 1994 through April 21, 1995.

Respectfully submitted,


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

May 3, 1995

Auditors: Michael E. Sizemore, CPA, Supervisor
Larry D. Bowman

STATE TREASURER'S CHECK-CASHING SERVICE

SCHEDULE OF TRANSACTIONS

For the Period
July 1, 1994
through
April 21, 1995

Beginning Balance:

Check-Cashing Fund	\$200,004.23
Service Charge Fee Fund	<u>700.00</u>
	200,704.23

Cash Receipts:

Service Charge Fee From Returned Checks	400.00
Overage Due to Ordinary Course Of Business	<u>8.24</u>
	<u>408.24</u>

TOTAL CASH TO ACCOUNT FOR \$201,112.47

Disbursements:

Transfer to General Revenue Fund of West Virginia	\$ 704.23
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Ending Balance:

Check-Cashing Fund	200,008.24
Service Charge Fee Fund	390.00
Shortage in Service Charge Fee Fund	<u>10.00</u>
	<u>201,112.47</u>

TOTAL CASH ACCOUNTED FOR \$201,112.47

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 11th day of June,
1995.

Thedford L. Shanklin

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.