

**Nassau County
Office of the Comptroller**



**Limited Review of the Nassau County Police Department's
Petty Cash Accounts**

HON. GEORGE MARAGOS

Comptroller

February 6, 2012

NASSAU COUNTY
OFFICE OF THE COMPTROLLER

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Executive Summary

Background

The \$200,000 Nassau County Police Department (“the Department”) Petty Cash Fund was established to provide for timely funding of education and skills training, law enforcement related travel, and to provide “buy money” for the Narcotics Bureau.

The Nassau County Administrative Code¹ provides the authorization for the County Treasurer to furnish the Department with a petty cash fund in an amount specified by a County Legislative resolution. The Comptroller’s Control Directive 1: Petty Cash Accounts² provides procedures and guidelines with respect to establishing, managing and replenishing petty cash accounts. Each department head must designate an employee to be the petty cash account custodian and also appoint an alternate account custodian to act as account custodian in the absence of the custodian. An account custodian is responsible to ensure that petty cash expenditures are expended for legitimate business purposes and are supported with adequate and appropriate documentation.

As the Department depletes its petty cash account, a claim voucher, along with all receipts justifying the expenditures that resulted in the depletion of the petty cash account, is submitted to the Comptroller’s Vendor Claims Unit. After the Comptroller’s Vendor Claims Unit audits and approves the claim voucher, the County Treasurer furnishes the Department with a replenishment check.

The Police Petty Cash Fund was set up for the following uses:³

- educational and skills training, including management, police science, legal issues, firearms techniques, undercover investigations procedures, defensive tactics, and bomb schools;
- enforcement travel to facilitate other law enforcement functions, delivery of evidence, contraband and property to outside jurisdictions or for the removal of these items to facilities; and
- investigative “buy money” for the Narcotics Bureau.⁴

The Department has seven petty cash accounts totaling \$200,000. All of the accounts were authorized by the Nassau County Legislature pursuant to Resolution 43-1982 as amended by Resolution 842-1994, dated December 12, 1994, and later amended by Resolution 111-2007, dated April 28, 2008.

¹ Nassau County Administrative Code §1-4.2 and Code §8-16.0, December 31, 2010.

² Nassau County Office of the Comptroller’s *Control Directive 1: Petty Cash Accounts*, October 1, 2003.

³ Inter-departmental memorandum from Deputy Inspector Commanding Officer (Anthony W. Rocco) counsel to the County Executive Office (Howard Y. Taylor) dated May 27, 1994.

⁴ Nassau County Legislature Resolution No. 842-1994.

Executive Summary

The Department's Petty Cash Fund accounts are maintained on an imprest system. Under the imprest system, only expenditures which are receipted as spent are replenished, thus keeping the accounts constant at the authorized amount of \$200,000.

The Department's Petty Cash Fund accounts are divided as follows:

Nassau County Police Department
Petty Cash Fund
2011

Description	Amount
Petty Cash	\$ 127,500
Narcotics Bureau	60,000
Miscellaneous Petty Cash less than \$100	5,000
E-Z Pass (Police Accounting Bureau (PAB))	4,000
E-Z Pass (Asset Forfeiture Unit (AFU))	1,500
Property Bureau	1,000
Crime Against Property (CAP) Squad	1,000
Total	<u>\$ 200,000</u>

The Department's Petty Cash Fund expenditures for the fiscal year ending December 31, 2010 totaled \$481,119 and for the period January 2011 through October 2011 totaled \$263,498. The breakdown of the expenditures is as follows:

Executive Summary

Nassau County Police Department Petty Cash Fund Expenditures			
	2010	2011*	Total
Narcotics Bureau	\$173,189	\$71,942	\$245,131
Federal Asset Forfeiture (FAF) - Travel and Training	117,445	97,245	214,690
Grant Travel	72,165	19,153	91,318
Investigative (a)	58,690	37,590	96,280
Travel (Operating Budget)	34,464	22,165	56,629
Civilian (b)	13,984	6,430	20,414
PAB Accounts (c)	5,130	4,536	9,666
Chief of Department Expense	51	814	865
Miscellaneous Petty Cash (d) **	6,001	3,623	9,624
Totals	\$481,119	\$263,498	\$744,617
<p>(a) Travel costs to pursue leads.</p> <p>(b) Civilian training and reimbursement expenses.</p> <p>(c) Personnel and Accounting Bureau training.</p> <p>(d) Includes small amounts disallowed for payment of sales tax or difference in receipted item cost.</p> <p>* Petty Cash from January to October 2011. Totals exclude claims vouchers that were not submitted.</p> <p>** Miscellaneous Petty Cash for 2011 from January to September.</p>			

An analysis of the total expenditures for the period January 2010 through October 2011 indicates that approximately \$704,048, representing 95 percent of the total expenditures of \$744,617 incurred, are for employee travel and training and the Narcotics Bureau “buy money” costs. The total petty cash expenditures of \$744,617, based on the type of expenditure, are summarized below:

- 49% or \$362,637⁵ - Employee travel and training costs;
- 33% or \$245,131 - Narcotics Bureau expenses;
- 13% or \$96,280 - Investigative expenses; and
- 5% or \$40,569 - Miscellaneous other expenses.

Audit Scope, Objective and Methodology

A limited review of the Police Department petty cash accounts was performed for compliance with the Comptroller’s Control Directive 1: Petty Cash Accounts and the Nassau County Administrative Code guidelines for administering petty cash.

⁵ Federal Asset Forfeiture - \$214,690; Grant travel - \$91,318; Operating Budget travel - \$56,629.

Executive Summary

We selected three of the seven petty cash accounts with the largest dollar amounts for review. Our review was limited to the petty cash account used primarily for travel and training, the Miscellaneous Petty Cash account used for day-to-day purchases under \$100 and the Narcotics Bureau account used for narcotics investigations. These three petty cash accounts total \$192,500 or 96.25% of the total \$200,000 Petty Cash Fund.

The objectives of our review were to determine if:

- adequate controls exist over the access to and usage of petty cash accounts;
- expenditures were for legitimate business purposes; and
- payments and reimbursements for work-related expenditures were within established petty cash limits.

To accomplish our objectives, we examined the expenditures in the Petty Cash Fund for the period January 2010 through October 2011, with service/travel dates from June 2009 to February 2011, and bank reconciliations for the period January 2010 through January 2011.⁶

Given the nature and confidentiality of the Narcotics Unit “buy money”, our testing for this purpose was limited to the adequacy of supervisory approval on petty cash claims as required by the Comptroller’s Control Directive 1: Petty Cash Accounts, which states “The custodian may only reimburse an employee after receipt of a petty cash claim voucher that has been authorized by the department head or his/her designee.”

Summary of Significant Findings

Our review found that the Department was behind in submitting bank reconciliations to the County Treasurer for review as required by the County Treasurer’s Policies and Procedures guidelines.⁷ At the time of our review, September 2009 was the last time reconciliations were sent to the County Treasurer. As a result of our review, the custodian informed us that copies of the bank reconciliations for the period July 2009 through December 2010 were to be sent to the Treasurer.

We found that cash advances given to staff for travel and training expenses were not returned or accounted for within ten working days after the completion of travel, failing to comply with the County-wide Procedure Travel Policy⁸, the New York State General Municipal Law⁹ and the Internal Revenue Service Business Expenses guidelines.¹⁰ These regulations and policies require that where any employee fails to return such excess cash advance at the time of submitting the

⁶ Bank Reconciliations for the Miscellaneous Fund were reviewed for the period December 9, 2009 through December 8, 2010.

⁷ Procedures for Opening Treasurer and Non Treasurer Bank Accounts, July 28, 2008.

⁸ County-wide Procedure No. CE-03 Travel, Lodging and Miscellaneous Expense Reimbursement, VI. Cash Advances, January 2007.

⁹ New York State General Municipal Law, section 77-b.6.

¹⁰ Internal Revenue Service’s *Publication 535 Business Expenses*, 2010.

Executive Summary

travel voucher, the municipality shall deduct the amount of the unreturned excess advance from the salary of the employee. In some cases, excess cash advances were applied to future travel.

We reviewed the Department's expense worksheets for 2010 totaling \$481,119, and 2011¹¹ totaling \$263,498, and found that 61 vouchers totaling \$16,066 in excess cash advances were not returned within ten working days after completion of travel. There were four disbursements totaling \$845 where cash advances that should have been refunded were applied to future travel. In addition, one senior officer's excess cash advance of \$166 has not been returned and is 358 days overdue.

In addition to the advances not being returned timely, the trip documentation (an accounting of monies spent) was also not returned timely. We reviewed 76 vouchers for travel and training reimbursements, and found 38 or 50% of the travel vouchers were not submitted in accordance with the County travel policy, but were submitted between 11 and 327 days after the completion of travel. One of the 38 vouchers, which was filed 327 days after the completion of travel, was for the senior officer who has not returned \$166 of the \$2,711 cash advanced for a conference in October 2010, as noted above.

Bank deposits were not always made timely. Of the six checks not deposited timely, two checks were over 14 days old, and four over 30 days.

Bank reconciliations should be reviewed and signed by a supervisor that did not participate in the reconciling function. Our review found the department supervisor and the preparer did not sign and date the bank reconciliations for the Narcotics account. The Miscellaneous Petty Cash account bank reconciliations were not always prepared monthly and in some instances had been prepared more than two months after the date of the bank statements.

We also found improper use and support of Miscellaneous Petty Cash. We found three vouchers totaling \$274 had been split to stay below the \$100 threshold limit, twenty four vouchers totaling \$1,756 were not supported by original receipts and six vouchers totaling \$448 that were not supported by receipts at all, but only packing slips with no dollar amounts listed.

We reviewed 16 Narcotics Petty Cash claims totaling \$48,267 with service/travel dates from February 2010 to February 2011 and found that all claim vouchers had the signature of the claimant, the department supervisor and the custodian approving the claim vouchers. In addition, we noted that all claim vouchers referenced the Narcotics case numbers for which the approval was made and approval request letters were dated after the service date of the claim.

¹¹ Police Department Excel expense worksheet updated as of October 4, 2011.

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Findings and Recommendations

Audit Finding (1)

Police Department Did Not Send Monthly Bank Reconciliations to the Treasurer's Office

Comptroller's Directive 1: Petty Cash Accounts requires that all petty cash bank statements be reconciled every month, with the reconciliation listing all voided checks and the date and amount of all outstanding checks. The County Treasurer's Policies and Procedures for Opening Treasurer and Non-Treasurer Bank Accounts state that "the department is required to submit to the Treasurer, a monthly reconciliation and a certification that proper internal controls are being followed".¹²

We reviewed all bank reconciliations for the period January 2010 through January 2011 for the Petty Cash account (primarily for travel and training) and the Narcotics Bureau account, and all reconciliations from December 2009 through December 2010 for the Miscellaneous Petty Cash account (purchases under \$100). We found that the Department did not submit any of the bank reconciliations to the County Treasurer for review as required by the Treasurer's Policies and Procedures guidelines. According to the petty cash custodian, September 2009 was the last date bank reconciliations were forwarded to the Treasurer. At that time, the custodian forwarded reconciliations for the period January through June 2009. The custodian stated that after a change in the Treasurer's administration, she contacted the Treasurer and is awaiting a response to her inquiry as to where and to whom the documents should be submitted.

As a result of our review, on March 8, 2011, the custodian informed us that copies of the bank reconciliations for the period July 2009 through December 2010 were to be sent to the Treasurer.

Recommendation #1:

The Department should comply with the Comptroller's and Treasurer's Policies and Procedures by submitting, on a timely basis, monthly certified bank reconciliations to the Treasurer for review.

Audit Finding (2)

Reimbursement of Excess Cash Advances and Submission of Reimbursement Documentation Were not Timely and Violated the County Travel Policy

Employees Did Not Return Excess Cash Advances on a Timely Basis

We found that cash advances given to staff for travel and training expenses were not returned or accounted for within ten working days after the completion of travel as per the County-wide Procedure Travel Policy¹³ ("County Travel Policy"), the New York State General Municipal Law ("General Municipal")¹⁴ and the Internal Revenue Service ("IRS") Business Expenses

¹² Procedures for Opening Treasurer and Non Treasurer Bank Accounts, July 28, 2008.

¹³ County-wide Procedure No. CE-03 Travel, Lodging and Miscellaneous Expense Reimbursement, VI. Cash Advances, January 2007.

¹⁴ New York State General Municipal Law, section 77-b.6.

Findings and Recommendations

guidelines.¹⁵ In some cases, excess cash advances were applied to future travel. We found the Department was not in compliance with the travel policies and law cited above.

The County Travel Policy and the General Municipal Law requires where any employee fails to return such excess cash advance at the time of submitting the travel voucher, the municipality shall deduct the amount of the unreturned excess advance from the salary of the employee. The IRS Business Expense guidelines require any excess cash not returned within 120 days after expenses were paid or incurred be reported as taxable income on an employee's W-2 Form. These provisions were not followed by the Police Department.

We reviewed the Police Department's Excel expense worksheets for 2010 totaling \$481,119 and 2011¹⁶ totaling \$263,498 for compliance with the County Travel Policy, the General Municipal Law and the IRS Business Expense guidelines regarding the return of excess cash advance from employee's travel expenses. We compared the check dates of the returned excess cash advances to the end dates of travel or service to determine whether the excess cash advances were returned timely.

We determined that a total of \$16,066 in excess cash advances in 2010 and 2011 were not returned in a timely manner. The excess cash advances should have been returned within ten working days after completion of travel. The breakdown is as follows:

Nassau County Police Department Excess Cash Advances Not Returned on a Timely Basis					
Days Late	Number of Vouchers		Value of Vouchers		
	2010	2011	2010	2011	Total
11-60	24	16	\$5,589	\$4,521	\$10,110
61-90	2	0	498	0	498
91-120 *	9	1	2,293	174	2,467
over 121 **	7	1	2,309	516	2,825
Never Returned ***	1	0	166	0	166
Total	43	18	\$10,855	\$5,211	\$16,066

* Included in 2010, is one employee's excess cash advances of \$60 that had been applied to future travel.
 ** Included in 2010, are three vouchers of two employees' excess cash advances of \$785 that had been applied to future travel.
 *** In 2010, one employee's excess cash advance of \$166 has not been returned and is 358 days old as of 10/26/11.

We noted four disbursements totaling \$845 where cash advances that should have been refunded were applied to future travel. When the employees did not return the excess cash advance, the custodian applied the unreturned cash to their next travel advance request. In addition, one senior officer's excess cash advance of \$166 has not been returned and is 358 days overdue (as of October 26, 2011).

¹⁵ Internal Revenue Service's *Publication 535 Business Expenses*, 2010.

¹⁶ Police Department Excel expense worksheet updated as of October 4, 2011.

Findings and Recommendations

We were informed by the custodian that there were two disbursements totaling \$8,574 which were not submitted for reimbursement because they were waiting for refunds/receipts from the employees. One disbursement was 126 days delinquent for \$6,537 and the other disbursement was 52 days delinquent for \$2,037.

We noted that the Excel expense worksheets which the custodian uses to account for all checks written, disbursements, actual expenses and refunds failed to include all voided checks and did not list the dates on which the excess cash advances were returned. All checks written or voided should be included on the worksheet; in addition, the date of disbursement and date of refund should be recorded. This ensures proper controls over cash advance returns and prevents misappropriation of funds.

Reimbursement Documentation Not Submitted Within Ten Days after Completion of Travel

Police Department's Guidelines¹⁷ and the County Travel Policy require all department personnel to submit a Nassau County Claim Voucher with all accompanying receipts or a Nassau County Petty Cash Voucher with all supporting documentation within ten working days of the return from travel or completion of training.

We performed a reconciliation of the Petty Cash account (primarily for travel and training). Petty cash reconciliation ensures that the paid receipts plus the cash on hand is equal to the amount of the authorized petty cash fund. Our March 8, 2011 surprise count found the paid receipts and the cash on hand agreed with the total authorized amount of the account.

We selected 32 vouchers for review totaling \$32,224 with service/travel dates between February and December 2010 that had been included in the surprise count. In addition, we reviewed 95 petty cash vouchers from vendor claims with service/travel dates from July 2009 to February 2011 totaling \$147,672.

Of the 127 vouchers reviewed, 76 totaling \$104,898 were for travel and training reimbursements. We found that 38 of the vouchers totaling \$41,318 or 50% of the travel vouchers were not submitted within ten days of the completion of travel, listed as follows:

- eleven vouchers were submitted between 11 and 30 days after return from travel;
- eight vouchers were submitted between 31 and 60 days after return;
- three vouchers were submitted between 61 and 90 days after return;
- five vouchers were submitted between 90 and 119 days after return; and
- eleven vouchers were submitted 120 days through 327 days after return.

We also noted that one of the 38 vouchers was filed 327 days after completion of travel. As discussed above, as of October 26, 2011, this senior officer has not returned \$166 of the \$2,711 cash advanced for a conference in October 2010 that cost \$2,545.

¹⁷ Police Department's Guidelines for Claim Voucher Submission, Rules and Regulations Article 11, Rule 9, subsection 7.

Findings and Recommendations

In addition, we noted that petty cash reconciliations were not periodically performed by an individual other than the custodian. Periodic surprise audits of cash and records ensure proper accountability of funds and proper application of policies and procedures.

Recommendation #2:

The Department should:

- a) implement compliance with Department and County Travel Policy guidelines and the General Municipal Law by requiring all claim vouchers be submitted within ten working days after the completion of authorized travel. In addition, excess cash advances should not be applied to future travel. When an employee fails to submit such voucher, the entire amount advanced should be deducted from their salary;
- b) implement the IRS Business Expense guideline that any excess cash not returned within 120 days after expenses were paid or incurred shall be reported as taxable income on an employee's W-2 Form;
- c) ensure that the Excel expense worksheets record all written checks and the dates when the excess cash advances are returned; and
- d) perform periodic petty cash fund reconciliations by an individual other than the custodian.

Audit Finding (3)

Bank Deposits Were Not Made Timely

In accordance with the Office of the Comptroller's Control Directive 3: Cash Receipts,¹⁸ "all cash receipts should be deposited promptly".

We performed a physical count of petty cash and identified four checks totaling \$1,732 that had not been deposited for over 30 days and an additional two checks totaling \$14,186 that were over 14 days old. Four of these checks represented monies returned from employees for travel advances received that were over and above actual travel costs; the other two checks were replenishment checks from the Comptroller's Vendor Claims Unit.

Recommendation #3:

The Department should comply with the Nassau County Comptroller's Directive for cash receipts by ensuring all bank deposits are made timely.

¹⁸ Nassau County Office of the Comptroller's *Control Directive 3: Cash Receipts*.

Findings and Recommendations

Audit Finding (4)

Bank Reconciliations Were Untimely and Lacked Supervisory Review

The New York State Office of the State Comptroller's New York State Accounting System User Procedures Manual, Controls and Special Procedures, Agency Bank Accounts – Reconciliation¹⁹ states “all monthly reconciliations should be reviewed and signed by a supervisor that did not participate in the reconciling function.” A supervisory review of bank reconciliations is a necessary internal control procedure that enhances accountability over cash assets. We reviewed all 26 bank reconciliations prepared for the period January 2010 through January 2011 for the Petty Cash account and the Narcotics Bureau account, and all 12 reconciliations from December 9, 2009 through December 8, 2010 for the Miscellaneous Petty Cash account (purchases under \$100) to determine whether they were adequately prepared and reviewed for accuracy by the respective department supervisors.

Our review of the petty cash bank reconciliations indicated the following:

- The department supervisor and the preparer did not sign and date the bank reconciliations for the Narcotics Bureau's account for the period January 2010 through January 2011. Supervisory approvals are required to certify that proper internal controls are being followed. As a result of the absence of the preparation date on the bank reconciliations, we could not determine whether the reconciliations were prepared on a timely basis.
- The Petty Cash account bank reconciliations for the period January 2010 through January 2011 and the Miscellaneous Petty Cash account (expenditures under \$100) for the period December 2009 through December 2010 were not always prepared monthly and in some instances had been prepared more than two months after the date of the bank statements. Of the 25 bank reconciliations reviewed for these two accounts, ten were prepared more than two months after the date of the bank statements.

Recommendation #4:

The Department should implement proper internal controls by requiring:

- a) the preparer to sign and date the bank reconciliations;
- b) management to evidence their review by signing and dating the reconciliations; and
- c) preparation of bank reconciliations on a monthly basis.

Audit Finding (5)

Miscellaneous Petty Cash Reimbursements were made without Proper Documentation

Comptroller's Directive 1: Petty Cash Accounts states that petty cash may not be used for “split purchases of items, which if purchased together would exceed the \$100 petty cash purchase limit, unless authorized by the County Executive or designee”. The original sales receipts or

¹⁹ New York State Office of the State Comptroller's *New York State Accounting System User Procedures Manual, Controls and Special Procedures, Agency Bank Accounts – Reconciliation, December 28, 2006.*

Findings and Recommendations

vendor invoices for the items, along with a signed petty cash voucher form, must be provided for reimbursement of petty cash. Photocopies of receipts or invoices, price quotations and packing slips attached to petty cash voucher forms are not adequate support for petty cash expenditures.

We selected and reviewed three Miscellaneous Petty Cash account claim vouchers totaling \$7,600, consisting of 107 petty cash vouchers for the service dates from June 2009 to January 2011. The Miscellaneous Petty Cash account has an individual expenditure threshold of under \$100. We found the following:

- three vouchers totaling \$274 had been split to stay below the \$100 threshold limit. These three purchases were requested by the same officer for blinds for the same office between February 2010 and March 2010;
- twenty four vouchers totaling \$1,756 were not supported by original receipts. Photocopies of receipts were attached as supporting documentation; and
- six vouchers totaling \$448 were not supported by receipts at all (Price quotations and packing slips with no purchase price were attached as documentation).

Recommendation #5:

The Department should:

- a) submit payments for expenditures that exceed the \$100 threshold limit through normal purchasing procedures; and
- b) only pay out when there is an original sales receipt and vendor invoice to support expenditures made.

Audit Finding (6)

Review of Training and Emergency Expenses Found No Established Dollar Limits on Single Disbursements

The purpose and benefit of having a Petty Cash fund is to allow for purchases of an immediate need which would be hampered by having to go through the normal check request channels. However, it is important to ensure that employees do not use the fund to circumvent the normal accounting system.

From the check registers, we selected 23 claim vouchers for review totaling \$104,445 dated January 2010 to February 2011. We found that all vouchers were properly approved by the department supervisors, had the required supporting documentation and were in compliance with the Police Department's meal and lodging limit guidelines. However, we found that the Department has not established any authorized dollar limits for training or emergency disbursements. A review of check registers showed a claim voucher for \$24,525²⁰ for three

²⁰ The claim voucher total of \$24,525 consisted of several checks: Check No. 15321 - \$23,625 to Police Executive Research Forum, Check No. 15322 - \$280, Check No. 15323 - \$310 and Check No. 15324 - \$310.

Findings and Recommendations

police officers attending a two and a half week police conference and an emergency payment of \$8,400 for forensic evidence testing paid through the Petty Cash account.

A review of the Department's Travel Guidelines for Police Personnel and an interview with the custodian confirmed that the Department has not established any dollar thresholds on training or emergency costs.

We found that the Department has established adequate guidelines for travel reimbursement, including per diem meal allowance and lodging limits. The Department guidelines limit the amount spent on lodging in accordance with the federal governmental rates, set meal allowances at a prescribed per diem rate, and limit air transportation to the most economical direct route cost.

Generally, petty cash funds are small dollar amounts, but due to the unique purpose of the Police Petty Cash Fund it has a dollar limit of \$200,000. The large dollar amount creates a greater control risk that possible misappropriation of funds and a single disbursement of \$127,500 from the largest Petty Cash Sub-account could occur when limits are not established. It is essential that the Department establish controls that will deter the abuse, misappropriation or theft of funds.

Recommendation #6:

The Department should review prior year expenditures and establish single disbursement dollar limits on training and emergency expenses for this \$200,000 Petty Cash Fund.

Nassau County



Police Department

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COUNTY EXECUTIVE

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THOMAS V. DALE
ACTING COMMISSIONER

January 9, 2012

Lt Daniel Sheehan
Commanding Officer
Personnel and Accounting Bureau
Nassau County Police Dept
1490 Franklin Avenue
Mineola, NY, 11501

Hon. George Maragos
Comptroller
Office of the Comptroller
240 Old Country Road
Mineola, New York, 11501

Re: Limited Review of the Nassau County Police Department’s Petty Cash Accounts.

Dear Mr. Maragos

The Nassau County Police Department is submitting the attached response to the Office of the Comptroller’s Limited Review of the Nassau County Police Department’s Petty Cash Accounts.

I want to thank you and your staff for giving our Department the opportunity to respond to this review and we look forward to working with your staff in rectifying any underlying issues.

A handwritten signature in black ink, appearing to read "Dan Sheehan".

Daniel J. Sheehan
Lieutenant

Appendix – NCPD Response and Auditor’s Follow-up

Recommendation #1:

The Department should comply with the Comptroller’s and Treasurer’s Policies and Procedures by submitting, on a timely basis, monthly certified bank reconciliations to the Treasurer for review.

Police Department Response:

We concur with Recommendation #1 and will email the reconciliations directly to the County Treasurer or Acting County Treasurer within thirty days of receipt of the bank statement.

Auditor’s Follow-up Response:

We agree with the corrective actions taken by the Police Department.

Recommendation #2:

The Department should:

- a) implement compliance with Department and County Travel Policy guidelines and the General Municipal Law by requiring all claim vouchers be submitted within ten working days after the completion of authorized travel. In addition, excess cash advances should not be applied to future travel. When an employee fails to submit such voucher, the entire amount advanced should be deducted from their salary;
- b) implement the IRS Business Expense guideline that any excess cash not returned within 120 days after expenses were paid or incurred shall be reported as taxable income on an employee’s W-2 Form;
- c) ensure that the Excel expense worksheets record all written checks and the dates when the excess cash advances are returned; and perform periodic petty cash fund reconciliations by an individual other than the custodian.
- d) perform periodic petty cash fund reconciliations by an individual other than the custodian.

Police Department Response:

We concur with Recommendation #2. To enhance internal controls for petty cash advances and claims, all employees will now be required to sign a ‘Petty Cash Claim Advisement’ form before funds are disbursed (see attached). This newly created form summarizes the responsibilities of each employee regarding the claims process and advance repayments. The form also includes an advisement that reminds the employee that the county will report any unaccounted for advances over 120 days outstanding as taxable income per IRS Business Expense guidelines. If an employee has not complied with the travel policy after fifteen days, the Commissioner of Police will be notified of the noncompliance. A surprise examination of the petty cash account will be made once a year by a command supervisor. We will also list all voided checks on the petty cash

Appendix – NCPD Response and Auditor’s Follow-up

Excel worksheet as well. Advance return documentation will be ‘time and date stamped’ in lieu of manual recording in the Excel worksheet which is subject to data entry error.

Auditor’s Follow-up Response:

We agree with the corrective actions taken by the Police Department to ensure that all claim vouchers are submitted within ten working days after completion of authorized travel and the Excel expense worksheets include all checks written.

We encourage the Police Department to implement the recommended changes that excess cash advances should not be applied to future travel and ensure that excess cash advances are returned within 10 days after the completion of travel.

Recommendation #3:

The Department should comply with the Nassau County Comptroller’s Directive for cash receipts by ensuring all bank deposits are made timely.

Police Department Response:

Checks are deposited within thirty days of receipt by the custodian. The volume of checks received does not precipitate more frequent deposits as the costs related to sending a uniformed officer to the bank each week does not exceed the benefit received from depositing the receipts more frequently. Discrepancies may seemingly result from the employee dating the check prior to remitting check to the petty cash clerk. We will not reject a check for repayment if the date on the check is earlier than the date received by the custodian as it does not have a material effect on the advance repayment process.

Auditor’s Follow-up Response:

We reiterate our recommendation that the Police Department comply with the Nassau Comptroller’s Directive 3: Cash Receipts that all bank deposits are made timely.

Recommendation #4:

The Department should implement proper internal controls by requiring:

- a) the preparer to sign and date the bank reconciliations;
- b) management to evidence their review by signing and dating the reconciliations; and
- c) preparation of bank reconciliations on a monthly basis.

Police Department Response:

We concur with this finding and will require dated signatures on bank reconciliations by the preparer and supervisor. The supervisor will ensure that reconciliations are prepared each month.

Appendix – NCPD Response and Auditor’s Follow-up

Auditor’s Follow-up Response:

We agree with the corrective actions taken by the Police Department.

Recommendation #5:

The Department should:

- a) submit payments for expenditures that exceed the \$100 threshold limit through normal purchasing procedures; and
- b) only pay out when there is an original sales receipt and vendor invoice to support expenditures made.

Police Department Response:

The County Petty Cash Directive (D) bullet point 1 states that an individual purchase cannot exceed \$500. The three purchases in question do not total more than \$500 and therefore do not circumvent county policy (see attached).

Supporting documentation for petty cash disbursements meets or exceeds requirements imposed by the Comptroller’s Office Vendor Claims Section as evidenced by their approvals and payment of claims submitted for their review. Original sales receipts plus vendor invoices are supplied when available however the Comptroller’s Office Vendor Claims Section also accepts copies to obtain reimbursement. Price quotes and packing slips with dollar amounts included are also permitted as valid supporting documentation as long as the cancelled check is also attached with the vendor name as shown on the purchase request with the exact dollar amount of the request.

Auditor’s Follow-up Response:

During the audit period, the Police Department’s Miscellaneous Petty Cash had limited individual purchases to \$100, therefore the three purchases had exceeded the limit established by the Department and should have been paid through the normal purchasing procedures. The Police Department can change the Miscellaneous Petty Cash fund to the higher \$500 limit.

We reiterate our recommendation that the Police Department Miscellaneous Petty Cash submit payments for expenditures that exceed the new threshold limit established by the Department through normal purchasing procedures and all payments are supported by original sales receipts or vendor invoices.

Recommendation #6:

The Department should review prior year expenditures and establish single disbursement dollar limits on training and emergency expenses for this \$200,000 Petty Cash Fund.

Appendix – NCPD Response and Auditor’s Follow-up

Police Department Response:

Due to the unique nature of operating a law enforcement agency, upper dollar limit on petty cash purchases are difficult to establish. Amounts are approved on a case by case basis by the Commissioner of Police as needed to preserve and improve public safety in the County. The \$8,400 purchase in question relates to a homicide investigation where it was in the best interests of the residents of Nassau County to procure the services immediately to assist in identifying the perpetrator as expeditiously as possible.

We request additional guidance from the Comptroller’s Office to assist us in improving controls to ensure we don’t circumvent standard county purchasing policy while continuing to allow the petty cash fund usage as deemed appropriate by the Commissioner of Police or his designee. We are available to meet with Comptroller’s Office staff at their earliest convenience.

Auditor’s Follow-up Response:

We reiterate our recommendation that the Police Department review prior year expenditures and establish single disbursement dollar limits on training and emergency expenses.

Petty Cash Claim Advisement

I have been advised of Article 11, Rule 9 of the Nassau County Police Department’s Rules and Regulations, which states that “Every member receiving an advance from the Petty Cash Fund shall submit a Nassau County Claim Voucher (NIFS 560) and a Nassau County Petty Cash Voucher (CO 2519) with all supporting documentation within 10 working days of the return or the completion of the seminar, school or other authorized travel.” The claims shall include only authorized expenses and the documentation needs to support the expenses claimed.

The County Policy and the General Municipal Law requires that municipality shall deduct the amount of the unreturned excess advance from the salary of the employee when the employee fails to return such excess cash advance at the time of submitting the travel voucher. The IRS Business Expense Guidelines require any excess cash not returned within 120 days after expenses were paid or incurred be reported as taxable income on an employee’s W-2 Form.

Name Printed

Signature

Serial Number

Date

Appendix – NCPD Response and Auditor’s Follow-up

- Submit a written memorandum to the County Attorney requesting that a resolution be written and presented to the County Legislature for approval. Notification of legislation should be sent to the Comptroller’s Office, as well as notification of legislative approval.
- After approval, departments should request a new vendor identification number from the Comptroller’s Office-Vendor Claims Section. Vendor Identification numbers allow for codified data entry in the accounting software.
- Lastly, departments must submit a claim voucher to the Comptroller’s Office in the approved amount for the new account. Departments must code the voucher document as “VB” (balance sheet voucher) claim. VB claim document are vouchers paid against a general ledger account
- After the Comptroller’s Office approves the claim voucher, the County Treasurer furnishes departments with a check made out to “Petty Cash Fund” of the Department. The custodian cashes the check at a bank using his or her Nassau County Employee Identification Card.

D. Guidelines for Managing a Petty Cash Account

Guidelines pertaining to basic petty cash account management are as follows:

- Individual purchases must not exceed \$500.00, **unless—**
 - a. the department’s petty cash account is authorized for the purpose of making change (i.e. Parks Department) and/or
 - b. petty cash spending limits would compromise the integrity of department operations (i.e. police investigations)
- Purchases may not, under any circumstances, be split in order to evade the \$500.00 single purchase limit.
- Departments may not use petty cash accounts to procure supplies that are readily available from and/or provided by the County.
- It is recommended that department head approval be secured prior to making petty cash purchases.
- Petty cash reimbursement requests need to be supported with adequate and appropriate documentation (e.g. sales slips, receipts), and petty cash voucher form #CO-2519. See Appendix 2 for form #CO-2519.

E. Requesting Increase in Petty Cash Account

A department wishing to increase a petty cash account must:

Control Directive 1: Petty Cash Accounts

Date of Issuance: 2003
Updated: May 13, 2011