

# STATE OF WEST VIRGINIA

## AUDIT REPORT

### OF

STATE TREASURER'S CHECK-CASHING SERVICE

FOR THE PERIOD

APRIL 22, 1995 - OCTOBER 22, 1996



OFFICE OF LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305

**STATE TREASURER'S CHECK CASHING SERVICE**

**FOR THE PERIOD**

**APRIL 22, 1995 - OCTOBER 22, 1996**

WEST VIRGINIA LEGISLATURE  
Joint Committee on Government and Finance



Theodore L. Shanklin, CPA, Director  
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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 April 22, 1995 through October 22, 1996. The results of this audit are set forth on the following pages of this report.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Theodore L. Shanklin".

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

TLS/cal

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

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

**EXIT CONFERENCE**

We held an exit conference on November 12, 1996, 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 such funds, and may require such employees 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

OCTOBER 22, 1996

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 \$102.98 in the Check-Cashing Fund on October 22, 1996.

We recommend the State Treasurer transfer the overage of \$102.98 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 7 and 8.)*

2. In attempting to verify the check-cashing funds as of October 22, 1996, we noted three insufficient funds checks in the amount of \$105.00. All three checks have been deemed uncollectible by the State Treasurer.

We recommend the \$105.00 be transferred from the Service Charge Fee Fund to cover the three checks deemed uncollectible by the Treasurer.

**AGENCY'S RESPONSE**

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



Service Charge Fee Fund

3. There were two checks cashed and returned by the bank during the audit period that were two-party checks.

We recommend the State Treasurer's Office follow their Check-Cashing Policy regarding what types of checks can be cashed by the State Treasurer's Check-Cashing Service.

AGENCY'S RESPONSE

*We will comply with the audit recommendation. (See page 9.)*

4. Two State employees who had previously written two bad checks were not included on the "Do-Not-Cash" list.

We recommend the State Treasurer's Office follow their Check-Cashing Policy regarding returned checks.

AGENCY'S RESPONSE

*We will comply with the audit recommendation. (See pages 9 and 10.)*

5. Four State employees who had already written two bad checks and were included on the Do-Not-Cash list were not denied subsequent check-cashing services.

We recommend the State Treasurer's Office follow their Check-Cashing Policy regarding returned checks.

AGENCY'S RESPONSE

We will comply with the audit recommendation. (See pages 10 and 11.)

6. After the transfer of \$105.00 to the Check-Cashing Fund to cover the uncollectible checks, a balance of \$825.00 will remain for transfer to the State General Revenue Fund.

We recommend the State Treasurer's Office make the necessary transfer as required by 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 11 and 12.)

## 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 April 22, 1995 through October 22, 1996.

#### 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 on October 22, 1996, an overage existed in the State Treasurer's Check-Cashing Service totaling \$102.98. Chapter 12, Article 4, Section 12 of the West Virginia Code, as amended, states in part,

" . . . If the amount of either fund (after charges for uncollectible checks) exceeds one hundred thousand dollars at the conclusion of any audit, the treasurer shall transfer 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 \$102.98 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**

An overage totaling \$102.98 existed in Fund One. \$102.98 will be transferred in accordance with Chapter 12, Article 4, Section 12 of the West Virginia Code, as amended, in agreement with your recommendations.

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

" . . . Any check determined to be uncollectible shall be charged against the fund from which it was cashed. . . ."

We noted \$105.00 in checks deemed uncollectible during the cash count and listed on the daily cash report.

We recommend the State Treasurer's Office comply with Chapter 12, Article 4, Section 12 of the West Virginia Code, as amended.

AGENCY'S RESPONSE

\$105.00 in checks were deemed uncollectible during the cash count and listed on the daily cash report. \$105.00 will be transferred in accordance with Chapter 12, Article 4, Section 12 of the West Virginia Code, as amended, in agreement with your recommendations.

Our audit of the bad check register revealed two checks were returned by the bank which were two-party checks, which had been cashed by the check-cashing service. The first check in question was made payable to a State employee by an individual in the amount of \$2,500.00, and was dated August 22, 1995. The second check dated March 6, 1996 was made payable to an employee of the State Treasurer's Office by an insurance company in the amount of \$930.39. The West Virginia State Treasurer's Office Check-Cashing Policy states in part,

"...There will be no two party checks cashed...."

We recommend the State Treasurer's Office follow their Check-Cashing Policy regarding the type and amount of checks which will be honored.

AGENCY'S RESPONSE

Two checks were returned by the bank which were two-party checks. These findings have been brought to the attention of our cashiers and corrected and should be noted that all monies were recovered and no loss occurred to the people of the State of West Virginia.

Item 4 of the West Virginia State Treasurer's Office Check-Cashing Policy entitled: "Returned Checks", states in part,

". . . Any state employee who has a minimum of two (2) checks returned for insufficient funds may have his name placed on a "Do-Not-Cash" list. . . ."

In reviewing the "Do-Not-Cash" list of the State Treasurer's Office it was noted that two State employees had written two bad checks, but they were not included on the list. The first employee had written non-sufficient fund checks for \$25.00 and \$10.00 dated December 14, 1995 and August 26, 1996, respectively. The second employee wrote two non-sufficient fund checks, each in the amount of \$25.00 dated December 8, 1995 and September 9, 1995, respectively.

We recommend the State Treasurer's Office comply with their check-cashing policies regarding returned checks.

#### AGENCY'S RESPONSE

Two state employees had written two bad checks, but were not included on the "Do Not Cash" list. These findings have been brought to the attention of our cashiers and corrected.

Also, Item 4 of the West Virginia State Treasurer's Office Check-Cashing Policy regarding returned checks, states in part,

". . . No checks will be cashed unless a written request to be removed from the "Do Not Cash" list is received and approved by the Treasurer or his designee."

We noted checks were cashed for four State employees who had previously had two checks returned for non-sufficient

funds. These checks were cashed through Fund 4. It was noted that Fund 4 was being operated by a temporary cashier during the time the aforementioned checks were processed by the check-cashing service.

We recommend the State Treasurer's Office comply with their check-cashing policies regarding returned checks.

#### AGENCY'S RESPONSE

Checks were cashed for four State employees who had previously had two checks returned for non-sufficient funds through Fund 4. It was noted that Fund 4 was being operated by a temporary cashier during the time the aforementioned checks were processed. These findings have been brought to the attention of our cashiers and corrected.

#### Service Charge Fee Fund

According to all available records, collection fees on returned checks for the audit period amounted to \$930.00. As of October 22, 1996, the cash count also revealed a balance of \$930.00 in the Service Charge Fee Fund. The West Virginia Code Chapter 12, Article 4, Section 12, as amended, states in part,

" . . . If the amount of either cash fund (after charges from 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's Office make the necessary transfer as required by Chapter 12, Article 4, Section 12 of the West Virginia Code, as amended, of the service charge fees after allowing for the transfer of \$105.00 to cover checks deemed

uncollectible, which leaves a balance of \$825.00 available for transfer to the State General Revenue Fund.

**AGENCY'S RESPONSE**

Collection fees on returned checks for the audit period amounted to \$930.00. We will comply with your recommendations to transfer the service charge fees after allowing for the transfer of \$105.00 to cover checks deemed uncollectible, leaving a balance of \$825.00 available for transfer to the State General Revenue Fund as required by Chapter 12, Article 4, Section 12 of the West Virginia Code, as amended.



## INDEPENDENT AUDITORS' OPINION

The Joint Committee on Government and Finance:

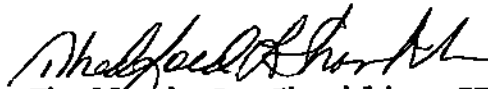
We have audited the schedule of transactions of the State Treasurer's Check-Cashing Service for the period ended October 22, 1996, the year ended June 30, 1996 and the period April 22, 1995 through June 30, 1995. The schedule of transactions of the State Treasurer's Check-Cashing Service is the responsibility 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 misstatements. 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 ended October 22, 1996, the year ended June 30, 1996 and the period April 22, 1995 through June 30, 1995.

Respectfully submitted,



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

October 31, 1996

Auditors: Michael E. Sizemore, CPA, Supervisor  
Jason A. Haught

STATE TREASURER'S CHECK-CASHING SERVICE

SCHEDULE OF TRANSACTIONS

	<u>For the Period</u> <u>July 1, 1996</u> <u>Through</u> <u>October 22, 1996</u>	<u>Year Ended</u> <u>June 30, 1996</u>	<u>For the Period</u> <u>April 22, 1995</u> <u>Through</u> <u>June 30, 1995</u>
<b>Beginning Balance:</b>			
Check Cashing Fund	\$200,000.00	\$200,008.24	\$200,008.24
Service Charge Fees	620.00	560.00	390.00
Shortage in Service Fee Fund	<u>0.00</u>	<u>0.00</u>	<u>10.00</u>
	200,620.00	200,568.24	200,408.24
<b>Cash Receipts:</b>			
Service Charge Fee From Returned Checks	310.00	460.00	160.00
Overage Due to Ordinary Course of Business	<u>102.98</u>	<u>0.00</u>	<u>0.00</u>
	<u>412.98</u>	<u>460.00</u>	<u>160.00</u>
<b>TOTAL CASH TO ACCOUNT FOR</b>	<b><u>\$201,032.98</u></b>	<b><u>\$201,028.24</u></b>	<b><u>\$200,568.24</u></b>
<b>Disbursements:</b>			
Transfer to General Revenue Fund	\$0.00	\$408.24	\$0.00
<b>Ending Balance:</b>			
Check- Cashing Fund	200,102.98	200,000.00	200,008.24
Service Charge Fee Fund	<u>930.00</u>	<u>620.00</u>	<u>560.00</u>
	<u>201,032.98</u>	<u>201,028.24</u>	<u>200,568.24</u>
<b>TOTAL CASH ACCOUNTED FOR</b>	<b><u>\$201,032.98</u></b>	<b><u>\$201,028.24</u></b>	<b><u>\$200,568.24</u></b>

See Note to Schedule of Transactions

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

**NOTE TO SCHEDULE OF TRANSACTIONS**

Note A - Accounting Policy

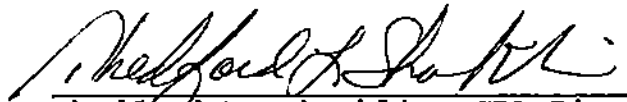
Accounting Method: The State Treasurer's accounting method for the check cashing service is on the cash basis of accounting. Therefore, certain revenues and the related assets are recognized when received rather than when earned, and certain disbursements are recognized when made rather than when the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

THE 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 here to 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 17th day of November 1996.



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.