

**OFFICES OF THE  
STATE AUDITOR OF MISSOURI  
JEFFERSON CITY**

**SPECIAL REVIEW OF THE GENERAL FUND  
MISCELLANEOUS ACCOUNT**

**OFFICE OF THE TREASURER  
CITY OF ST. LOUIS, MISSOURI**

**MARGARET KELLY, CPA**



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MISCELLANEOUS FUND  
OFFICE OF THE TREASURER  
CITY OF ST. LOUIS, MISSOURI

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## STATE AUDITOR OF MISSOURI

JEFFERSON CITY, MISSOURI 65102

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To Larry C. Williams, Treasurer

City of St. Louis, Missouri

We have conducted a special review of the General Fund Miscellaneous Account, including the miscellaneous bank account, related cash balances, and outstanding jury warrants and water refunds. The purposes of this review were to:

1. Determine the amount, if any, of a fund shortage which should be repaid and deposited in official accounts of the city of St. Louis.
2. Review and evaluate certain policies and procedures regarding the handling of and accounting for the miscellaneous account as a whole.

Our review was limited to the specific matters described above and was made in accordance with generally accepted auditing standards and, accordingly, included selected tests, interviews, and such other auditing procedures as we considered necessary in the circumstances. In this regard, we inspected relevant records provided to us by the Treasurer's office and interviewed various Treasurer's office personnel. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

A brief narrative of the Miscellaneous Account's purpose and nature, as well as an explanation of each integral component of the account, has been included in the accompanying Miscellaneous Account Summary.

The accompanying Management Advisory Report presents our findings, conclusions, and recommendations concerning this review.

*Margaret Kelly*

Margaret Kelly, CPA  
State Auditor

June 30, 1988

## EXECUTIVE SUMMARY

SPECIAL REVIEW OF THE GENERAL FUND  
MISCELLANEOUS ACCOUNT  
OFFICE OF THE TREASURER  
CITY OF ST. LOUIS, MISSOURI  
EXECUTIVE SUMMARY

At June 30, 1988, the General Fund Miscellaneous Account reflected an approximate \$21,000 fund shortage. Records were altered by the Treasurer's office personnel to conceal the account shortage. Further, the Treasurer did not ensure applicable controls were in place to detect or prevent the misuse of official funds.

The stated purpose of the Miscellaneous Account was to honor jury warrants, to expedite the refund of water bill overpayments, and to provide check cashing privileges to city of St. Louis employees. Our review of this \$100,000 imprest account revealed a significant number of dishonored checks returned by the bank. Many of the dishonored checks were drawn on personal checking accounts of the treasurer and his family. The Treasurer's office did not record selected dishonored checks as an adjustment to the checkbook balance. As a result, the Treasurer's checkbook balance was significantly overstated. In addition to neglecting to record all dishonored items returned by the bank, office personnel further overstated the account's checkbook balance by entering duplicate deposit entries. By analyzing all the components of the imprest account we were able to determine the account had, in fact, been depleted by approximately \$21,000.

The Treasurer should reinstate the \$100,000 imprest balance by pursuing collection of all dishonored checks and restoring the amounts inappropriately recorded as deposits. In the event the Treasurer is unable or unwilling to account for the \$21,000 shortage, the Treasurer's bonding company should be contacted.

**MISCELLANEOUS ACCOUNT SUMMARY**

**SPECIAL REVIEW OF THE GENERAL FUND  
MISCELLANEOUS ACCOUNT  
OFFICE OF THE TREASURER  
CITY OF ST. LOUIS, MISSOURI  
MISCELLANEOUS ACCOUNT SUMMARY**

The Miscellaneous Account was established to provide check cashing privileges to city employees and to provide a ready cash supply for payment of jury warrants and refund of city water customer overpayments. The account is to operate at a \$100,000 imprest balance. Simply stated, an imprest balance means that all the components of the account, when added together, must equal \$100,000. In order for this to be the case, every disbursement must have a corresponding receipt in one of the components of the imprest account. Components of this \$100,000 balance include the actual cash maintained in the cash drawers, cash on deposit with the bank, outstanding jury warrants, and refunded water bill overpayments not yet reimbursed by the city's Water Division. In the event checks cashed by individuals are dishonored by the bank, the balance of dishonored items not yet repaid would also be reflected as part of the \$100,000 balance. These components and how they interact with the \$100,000 balance are discussed in detail below. -- --

#### **JURY WARRANTS**

The Treasurer's office processes jury warrants. Upon serving on a jury, individual jurors are given a warrant entitling them to a nominal payment. To receive their payment, jurors must present their warrant to the Treasurer's office. The Treasurer's office honors these warrants by paying the stated sum in cash. Copies of jury warrants are maintained as documentation of amounts paid out of the miscellaneous account. Periodically, the Treasurer requests reimbursement of these outstanding warrants from the Comptroller's office. Therefore, at any point during a month, the Treasurer has custody of jury warrants for which the juror has been paid for his services but the Treasurer has not yet been reimbursed. In accounting for the overall imprest balance, this amount of unreimbursed jury warrants would be taken into consideration.

#### **WATER REFUNDS**

In the event a city water customer overpays his water bill, he is entitled to a refund. Because the Treasurer's office is centrally located, these refunds are processed through the Miscellaneous Account. As overpayments occur, the Water Division informs customers a refund is due. Refund requests are made to the Treasurer and generally a check is written from the miscellaneous bank account for the proper amount. On a regular basis, the city's Water Division reimburses the Treasurer for the amount of refunds processed. The dollar amount of refunds not reimbursed represent a component of the \$100,000 balance.

#### **CHECKBOOK BALANCE**

The Miscellaneous Account checkbook balance should represent the balance of monies on deposit with the bank. The bank account also reflects any interest earned on deposited funds. The checkbook balance fluctuates significantly during the month. Around pay periods, the account is generally lower since large cash withdrawals are made to ensure enough funds are available to cash payroll

checks. In an overall review of the Miscellaneous Account, the checkbook balance is an integral component of the \$100,000 balance.

#### **CASH ON HAND**

The Treasurer maintains a balance of currency to honor jury warrants and cash personal checks. The amount of cash maintained does not remain constant and because a consistent level of beginning daily cash is not kept, an analysis of the specific increases and decreases in the cash balance cannot always be performed. The amount of cash contained in the Miscellaneous Account cash drawer on any given day would represent a component of the \$100,000 imprest balance. For our review purposes, our monthly analysis of the Miscellaneous Account balances coincided with the Comptroller's Internal Audit Section's monthly cash count. Because the Treasurer's office maintains no records to reflect the amount of cash on hand, the only way to determine the balance is by performing a cash count.

#### **DISHONORED CHECKS**

As previously mentioned, checks dishonored by the bank and not yet repaid by the maker are also a component of the \$100,000 balance. As individual checks are dishonored, the bank returns these to the Treasurer and reduces the Treasurer's bank account by the amount of the returned items. To make the bank reconciliation process possible, the Treasurer should record these items as a reduction to the checkbook balance and then pursue repayment from the person negotiating the dishonored check. When properly recorded, this balance would simply represent a component of the \$100,000 imprest balance. If they are not recorded, however, they overstate the checkbook balance, while understating the amount that needs to be collected for dishonored checks. This could present a distorted picture of the components of the \$100,000 balance and hide the fact that all dishonored checks have not been repaid.

As previously stated, the Miscellaneous Account is comprised of individual components whose balances, on any given day, should total \$100,000. Each of the above-noted components, and their corresponding impact on the imprest balance, have been taken into consideration in our analysis of the Miscellaneous Account and our conclusion that the account balance is insufficient by approximately \$21,000.



## MANAGEMENT ADVISORY REPORT

SPECIAL REVIEW OF THE GENERAL FUND  
MISCELLANEOUS ACCOUNT  
OFFICE OF THE TREASURER  
CITY OF ST. LOUIS  
MANAGEMENT ADVISORY REPORT

1. Miscellaneous Account Shortage

As a result of inadequate internal operating controls and apparent misuse, the Miscellaneous Account was approximately \$21,000 short at June 30, 1988. The apparent reasons for the shortage and its components are separately discussed below.

- A. The largest component of the shortage is two duplicate deposit entries that were recorded. The effect of these entries was to overstate the checkbook balance, thereby concealing a cash shortage.

Since the Miscellaneous Account operates at a \$100,000 imprest balance, making duplicate deposit entries on the checkbook ledger overstates the checkbook balance. Because the checkbook balance is a component of the imprest balance, this overstatement should result in the imprest balance exceeding \$100,000. In each of the cases discussed below, an excess did not occur. This indicates a shortage elsewhere in the components of the imprest balance. Based on the results of our review, it appears the duplicate deposit entries were made to conceal an approximate \$14,169 cash shortage.

- 1) On May 26, 1987, a \$1,560 deposit was recorded in the checkbook ledger. On June 9, 1987, another \$1,560 deposit entry was made on the books. The initial deposit entry cleared the bank on May 29. Although the Treasurer's office reflected the second deposit entry as a deposit in-transit until May 1988, the \$1,560 never appeared on the bank records. In May 1988, the Treasurer's internal auditor attributed this duplicate deposit entry to a simple bookkeeping error and reduced the checkbook balance by \$1,560. Although the Treasurer attributed this erroneous bookkeeping entry to simple error, the \$1,560 duplicate entry made to the checkbook balance concealed a cash shortage and made it possible to account for the \$100,000 imprest account balance.
- 2) A similar situation occurred in October 1987. On October 6, 1987, a \$12,609 deposit was entered on the checkbook ledger. On October 13, deposits of \$6,326 and \$6,283, respectively, were recorded in the ledger. The \$12,609 deposit cleared the bank on October 16. The two entries made on October 13 never cleared the bank. The two deposit entries made on October 13 were removed from the Treasurer's checkbook balance in January 1988. When questioned about the adjustment, the Assistant Treasurer of Cash Management stated that the bank had apparently lost the deposit and following what the Treasurer's office said was futile efforts

to locate the "missing" money, the amount had merely been written off. Bank officials we contacted told us that such a request would have prompted an exhaustive search of the bank's deposit records and they did not recall such a search.

- B. The remaining \$6,795 component of the \$20,964 shortage relates to dishonored checks that were never recorded by the Treasurer's office and have apparently never been repaid. During our analysis of the Miscellaneous Account, we examined all bank statements and related enclosures. We discovered a number of dishonored checks (returned items). Some of these items, relating primarily to the Treasurer, members of his family, and other selected employees, were not consistently recorded on the Treasurer's checkbook as a reduction to the balance. Likewise, when repayment was made on these select returned items, the deposit was generally not reflected on the checkbook. On a month-by-month basis, we derived a balance of these unrecorded returned items which had no corresponding evidence of repayment. Because of the complete inadequacy of records maintained relating to returned items, it was not possible to associate specific individuals and dollar amounts with the shortage relating to unpaid returned items.

As evidenced by correspondence between the Treasurer's internal auditor and Mr. Williams, the Treasurer is aware of the problem noted above. In a memorandum dated March 7, 1988, the internal auditor identified fifty individual checks that had not been honored by the bank and had not been deducted from the checkbook balance. These fifty items totaled approximately \$27,724. The memorandum further stated that "... Since no log of returned checks has been maintained and replacement deposits were not usually identified, I can only presume that these checks have been repaid ... we cannot prove that all returned items were repaid ..."

As an elected city official, Treasurer Williams is responsible for properly handling all city funds entrusted to him. It appears certain that funds have been inappropriately handled and, as a result, cannot be accounted for.

**WE RECOMMEND the Treasurer:**

- A. Investigate the cause and nature of the duplicate deposit entries made. A \$14,169 deposit from personal resources should be made to replenish the current cash shortage.
- B. Investigate and actively pursue collection on all dishonored checks not specifically identified with repayment.

If the Treasurer is unable or unwilling to reinstate the \$100,000 imprest balance, the city should contact the Treasurer's official bonding company.

**AUDITEE'S RESPONSE**

We deem from our analysis of unrecorded checks as of June 30, 1988, a balance of \$4,360.80 may be subject to collection. Therefore, we have worked out an agreement for collection of \$3,389.

This leaves a balance of \$971.80 which cannot be collected, at this time, due to the fact that we are unable to positively identify the makers of the alleged returned items. The original items are not in the possession of the Treasurer's office making any collection impossible without prima facie evidence.

We feel that this would leave a balance of \$15,215.02 of misapplied deposits and miscellaneous mathematical errors. This is the amount of the shortage to be discussed with our bonding company and the Comptroller's Audit Section. This will bring the account to its correct \$100,000 balance.

#### AUDITOR'S COMMENT

We believe the amount of unpaid dishonored checks at June 30, 1988, was approximately \$6,795, this amount is an estimate because of the complete inadequacy of the records maintained relating to dishonored checks.

We agree that any amount which is not recoverable should be discussed with the Treasurer's bonding company, but we also believe it is the personal responsibility of the Treasurer for all funds entrusted to him. The city should also hold the Treasurer personally responsible for any funds which cannot be recovered.

#### 2. Cash and Accounting Controls and Procedures

Our review of the Treasurer's established cash and accounting controls revealed the existence of significant weaknesses. These weaknesses permitted the fund shortage to occur and remain undetected:

A. The Treasurer's established controls over the recording and collection of dishonored checks have been selectively applied, ignored, and overridden by management. Our examination of the Miscellaneous Account monthly bank statements and related enclosures revealed that for the period July 31, 1986, through June 30, 1988, the bank returned approximately \$53,000 in dishonored checks. Further investigation of these items revealed:

- 1) The Treasurer's office has not enforced the policy to consistently record all dishonored checks immediately upon receipt from the bank. From a review of the checkbook ledger, it appeared that an adjustment to reduce the checkbook balance by the amount of the returned check was normally not made until repayment had been made. From discussions with the Assistant Treasurer of Cash Management, it was learned that the actual balance of returned items was generally higher than the amount of such items reflected in the checkbook.

Further investigation of this situation revealed significant differences in returned items recorded by the Treasurer and documented by the bank. For example, on October 27, 1987, the State Auditor conducted a surprise cash count of the Miscellaneous Account. When questioned about returned items

not yet repaid, the fund custodian indicated there was a \$74 balance. He could provide no documentation to support this figure. Our review of the Treasurer's checkbook showed four items totaling \$855 being recorded as returned items. There was no combination of these four entries that equaled the \$74 balance initially reported to us. We subsequently identified an approximate \$8,900 balance of dishonored checks not yet repaid. This difference between items returned by the bank and items selectively recorded by the Treasurer's office totals \$8,045, and illustrates the complete unreliability of the Treasurer's records of returned items.

The most plausible explanation for this difference is an effort to conceal some returned items. If personnel were simply unsure of how to record returned items, then no returned items would have been recorded. This was not the case, however. The review of returned items indicated a clear pattern of dishonored checks relating to certain individuals and businesses not being recorded. Ultimately, the effect of not recording all transactions is the inability to properly account for the \$100,000 imprest balance.

- 2) Efforts to pursue repayment of dishonored checks were lax at best and more accurately, appeared to be almost nonexistent. During interviews conducted with office management, we were informed that all individuals who negotiate a check subsequently dishonored by the bank are notified immediately. If the item is not repaid prior to the next scheduled pay period, the individual's payroll check is cashed and the Treasurer withholds the amount of the dishonored item along with a \$2 service charge. Our examination discredited this communicated policy:
  - a. For returned items recorded by the Treasurer, we noted significant time lags between the bank return date and the date the Treasurer collected on the dishonored item. For example, our review revealed that a \$2,000 check returned by the bank on December 12, 1986, was not repaid until September 1, 1987. This eight and one-half month time lag does not coincide with the policy stated above.
  - b. For returned items never recorded by the Treasurer, it cannot be stated with certainty that complete restitution of the dishonored items was ever made. Because returned items were not consistently recorded and entries to record the corresponding repayment were not always made, we could not be completely assured that these items had been repaid. As discussed in Management Advisory Report (MAR) No. 1., the balance of unrecorded returned items not specifically identified with repayment was \$6,795.

To provide adequate control over the recording and collection of all returned items, it is imperative that procedures requiring complete and accurate recording and follow up be in place and periodically monitored for effectiveness.

B. The stated purpose of the Miscellaneous Account and the apparent use of the account appear to conflict. As previously noted, the Treasurer stated that the account existed to provide check cashing privileges to city employees and to provide available funds for jury warrants and water refunds. Our examination of the account revealed that the courtesy of offering check cashing services had been significantly extended. Additionally, the privilege appeared to have been used to personal advantage by a select number of individuals.

- 1) For the period July 31, 1986, through June 30, 1988, approximately \$15,900 of dishonored checks of noncity employees were observed. From bank documentation, it was revealed the Treasurer's office had cashed numerous checks for construction companies, restaurants, campaign committees, and other individuals. In some cases, we found no evidence to support that the dishonored items had been repaid.
- 2) For the period July 31, 1986, through June 30, 1988, approximately \$13,800 of dishonored checks of Treasurer's office employees were observed. For those cases where bank evidence indicated repayment had been made, time lags of up to several months were noted between the date the check was returned and the repayment date. As noted above, in some cases we found no evidence to support repayment of the dishonored items but in one case involving \$2,995, the writer of the check admitted that repayment has not been made.
- 3) For the time period noted above, we identified approximately \$15,000 in dishonored checks drawn on the accounts of Larry Williams, and members of his immediate family. In all, approximately forty-seven individual checks were returned by the bank for nonsufficient funds. Time lags of up to six months were noted between the banks return date and the repayment date. Once again, we were not completely assured that all these dishonored checks had been repaid.

As evidenced above, select individuals have received preferential check cashing privileges and have obviously taken advantage of them. The result of this breakdown in stated policy is twofold. First, all returned items related to the examples above cannot be specifically identified with repayment. Secondly, the significant time lags noted between bank return date and repayment date (only for those items specifically associated with repayment) indicates the misuse of official funds for personal gain.

To ensure the propriety and integrity of a cash system, it is imperative that established policies be enforced. Exceptions which weaken the accounting and cash controls should not be allowed to occur.

- C. Some checks cashed by the Treasurer's office are not deposited in a timely manner. Because the number of checks cashed on a given day fluctuates during the month, being highest at pay periods, it was not possible to determine an average dollar amount of checks cashed daily. However, a surprise cash count revealed apparent problems related to "holding" selected checks for bank deposit. For example, on October 27, 1987, we observed and counted thirty checks totaling \$2,806; the checks were attached to a completed deposit slip dated October 16, 1987. A bank deposit had been made on October 20, 1987, but, according to office personnel, the \$2,806 deposit had been overlooked. Further investigation revealed the thirty deposit items included a number of checks from key Treasurer's office employees. The following table illustrates the amount of time the personal checks had been withheld from bank deposits:

<u>Employee Title</u>	<u>Check Amount</u>	<u>Check Date</u>	<u>Deposit Date</u>	<u>Time Lag</u>
Cashier	\$ 300--	10-06-87	10-28-87	22 days
	50	10-12-87	10-28-87	16 days
	75	10-13-87	10-28-87	15 days
	200	10-14-87	10-28-87	14 days
	<hr/>			
Total Cashier	\$ 625			
	<hr/>			
Assistant Treasurer of Cash Management	\$ 650	09-30-87	10-28-87	28 days
	<hr/>			

The cashier is responsible for the operation of the Miscellaneous Account; this includes preparing bank deposits. The Assistant Treasurer of Cash Management is responsible for overseeing the operation of the Miscellaneous Account. The appearances of key personnel using an official account as a temporary loan fund do not properly reflect upon the intended use of the Miscellaneous Account. All checks accepted and cashed should be deposited daily.

- D. During our review of the Miscellaneous Account, we noted several instances where checks were consistently accepted on closed bank accounts. Once again, the reoccurring acceptance of these checks primarily related to Treasurer's office employees. In one case, we noted where an office clerk negotiated a check on a closed account in July 1986. The Treasurer's office continued to accept checks on the same account in October 1987, approximately fifteen months later. In a similar case, the previous cashier tendered approximately \$1,100 in checks from a closed bank account over a period of approximately nine months. Because of inadequate records maintained by the Treasurer, we were unable to assure ourselves that all items returned on these closed accounts had been repaid.

Repeatedly accepting checks on closed bank accounts represents a serious breakdown in operating controls. The problem carries more serious implications, however, when the control breakdown is attributable to select individuals. Procedures should have been in place requiring prior approval of all checks to be cashed on accounts previously dishonored.

- E. Bank reconciliations were not consistently prepared for the Miscellaneous Account and, when prepared, the reconciliations were incomplete, inaccurate, and unreliable. Until January 1988, the Assistant Treasurer of Cash Management was responsible for reconciling the Miscellaneous Account. Our review of these reconciliations indicated that they provided no assurance that the account was being properly reviewed and balanced. To illustrate, for the month ending November 30, 1987, the bank reflected a balance of approximately \$75,944. The Treasurer's checkbook ledger reflected a \$74,413 balance. After making adjustments for outstanding checks totaling \$11,521 and a \$5 bank charge, the Assistant Treasurer made a \$9,985 reduction to the checkbook balance to agree to the bank balance. The \$9,985 entry was denoted by the Assistant Treasurer of Cash Management as a "credit to come" and an "unreconciled difference." There was no evidence that this significant difference between bank records and office records was pursued further. The intended reason for the Assistant Treasurer of Cash Management preparing the bank reconciliation was to provide an independent supervisory review of the account. When reconciliations are prepared in the manner noted above, this intended control is destroyed.

As previously stated, effective January 1988, the responsibility for preparing the monthly bank reconciliation was assigned to a designated Treasurer's office internal auditor. We noted improvements in the reconciliation procedure. This noted improvement in no way, however, discounts the seriousness of the period prior to January 1988. Had bank reconciliations been prepared in a complete and accurate manner, with all unexplained reconciling items being fully investigated, the account shortage discussed in MAR No. 1 could have been detected and resolved. A continuing effort should be made to prepare monthly bank reconciliations in a timely and complete manner.

The practice of selectively recording dishonored checks, inadequately pursuing the collection of these items, knowingly accepting checks on closed bank accounts, and improperly monitoring the account as a whole, lead us to question the handling of the Miscellaneous Account. Using official funds to preferentially treat select individuals, could be construed as the granting of public monies, in violation of Article VI, Section 25 of the Constitution of Missouri. Based on the seriousness of conditions discussed above, the Treasurer's compliance with this constitutional provision is questionable.

**WE RECOMMEND** the Treasurer address the weaknesses noted above by discontinuing the policy of cashing any checks and implementing steps to process water refunds through the Comptroller's office. A minimal amount



of imprest cash should be maintained to honor jury warrants. All miscellaneous bank accounts should be closed after any outstanding checks have been cleared through the bank. All remaining funds should be immediately deposited in the city's General Revenue Fund.

### AUDITEE'S RESPONSE

As of July 1, 1988, the Treasurer's office no longer honors personal, business, or payroll checks. The only items that will be negotiated by this office are jury and witness vouchers, and warrants signed by the Comptroller.

The Miscellaneous Account of the General Fund imprest balance of \$100,000 will be lowered to a maximum balance of \$5,000. This will be to honor jury, witness vouchers, and warrants signed by the Comptroller.

### 3. Miscellaneous Account Procedural Changes

During our examination of the Treasurer's Miscellaneous Account, we observed and noted the implementation of a number of procedural changes. The following sections illustrate the nature of changes made and their impact on the State Auditor's conclusions and recommendations.

- A. During March 1988, a second miscellaneous bank account was opened. The establishment of an additional bank account only served to compound the problems noted in MAR Nos. 1 and 2. The fund shortage was not affected and we noted a continuing problem with checks being returned by the bank.
- B. On May 27, 1988, the Treasurer's office made several adjustments to the Miscellaneous Account checkbook ledger. The effect of these adjustments was an \$8,400 decrease in the account. Components of the net adjustment included entries for unrecorded deposits, unrecorded returned items, unrecorded bank interest earned, and various mathematical errors. In addition, the adjustment included a write-off of the \$1,560 duplicate deposit entry discussed in MAR No. 1. Since the \$12,609 duplicate deposit entry was previously removed from the checkbook in January 1988, it is not reflected in the May 1988 adjustments.

The Treasurer's efforts to reduce the Miscellaneous Account checkbook balance effectively illustrate his acknowledgment of the account's shortage. On June 30, 1988, had the Treasurer correctly reported each component (cash on hand, checkbook balance, outstanding jury warrants and water refunds, and recorded dishonored checks) of the \$100,000 Miscellaneous Account, a balance of approximately \$79,000 would have been revealed. Reducing the checkbook balance did not reduce our noted shortage. However, the entries made do reflect the Treasurer's own recognition of the reported \$21,000 shortage.

- C. As a final step, the Treasurer issued an executive bulletin stating that effective July 1, 1988, "... new banking and accounting procedures will be implemented which will not permit this office the luxury of cashing personal and payroll checks, a courtesy service

previously provided." In addition, the Treasurer discontinued processing water refunds and retained only the responsibility of honoring jury warrants.

Our review of the Miscellaneous Account did not extend beyond June 30, 1988, and, therefore, we cannot conclude whether these procedural changes have been effectively implemented. However, we are not aware of the Treasurer decreasing the \$100,000 imprest account balance to more adequately reflect current cash needs. It is our understanding that cash is now needed only for payment of jury warrants. The maintenance of a \$100,000 fund to honor an average of \$2,900 a month in jury warrants appears extremely questionable.

As evidenced above, the Treasurer has recognized the need for procedural changes regarding the Miscellaneous Account. However, these changes appear to be an effort to conceal the problems the account suffers rather than to solve them.

WE RECOMMEND the Treasurer solve the Miscellaneous Account problems by implementing recommendations presented at MAR Nos. 1 and 2.

#### AUDITEE'S RESPONSE

See Auditee's Response for MAR No. 2.

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