



Wicomico County, Maryland

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Internal Auditor's Report

The County Council and County Executive of Wicomico County, Maryland:

Pursuant to Section 305(D) of the Wicomico County Code and Council Resolution No. 102-2011, the Office of the Internal Auditor (IA) has conducted an Audit of the Wicomico County Sheriff's Office Fees and Billing Structure. A report is submitted herewith. The purpose of the audit was to determine the adequacy of procedures and controls along with the level of compliance with those procedures and controls for the process of accounting for various fees and associated billing in the Wicomico County Sheriff's Office through the established system.

IA conducted the audit with due professional care and IA planned and performed the audit to obtain reasonable assurance about whether the current Sheriff's Office Fees and Billing System practices are in compliance with applicable policies and procedures and whether those policies and procedures are adequate to obtain an acceptable level of control.

The audit revealed dwindling number of fee types with low materiality. As such, IA adjusted the scope and objectives of the audit to match the risk associated with the low materiality.

IA extends appreciation to Management and Staff in the Sheriff's Office and the GOB Finance Department for their timely assistance, cooperation, and candid assessment of the Sheriff's Office fees and billing system.

Respectfully submitted,

J. Stephen Roser, CPA
Internal Auditor

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Audit Report

Background

Wicomico County Sheriff's Office Fee Structure

Wicomico County Sheriff's Office collects fees for various functions it performs. Specifically fees are charged for the following:

- Slot Machines Licensing
- Alarm Installer Licensing
- Civil Processing
- Fingerprinting
- Police Reports
- Taxicab Licensing
- Charitable Gaming Licensing

The Sheriff's Office charges fees for these functions and licensing and must account for the fees on a departmental level. According to Sheriff's Office Management, all the fees types except Civil Processing are budgeted below \$6,000 each and \$8,742 taken together for the current fiscal year. Additionally, Sheriff's Office is no longer responsible for Slot Machine Licensing and Fingerprinting functions.

Slot Machines License Fees

The State of Maryland took over the slot machine fees as of July 1, 2012. The Wicomico County Sheriff's Office will turn over all records to Maryland officials and will no longer be responsible for collecting license fees for slot machines.

Alarm Fees

IA is aware of two types of alarm fees for Wicomico County. (1) The Sheriff's Office bills annual license fees to contractors (companies and individuals) who install alarms in Wicomico County near the end of the fiscal year. (2) Legislative Bill 1995-2 defines fees charged for false alarms. Sheriff's Office currently collects no fees for false alarms. Narrative provided to the external auditors concerning fees and billing describes fees charged for false alarms and not licensing fees. According to information provided by the Sheriff's Office, the materiality for alarm fees is negligible (\$700).

Civil Processing Fees

The Sheriff's Office charges civil processing fees for serving papers (evictions, past due bills, etc.). Fees are set by the state and the county has no control over the fee structure. Materiality for civil processing fees per Sheriff's Office is \$160,000. The Sheriff's Office maintains and reconciles a bank account for this fee.

Fingerprinting Fees

The Sheriff's Office processes fingerprints with ink cards and, in the past, charged out-of-county residents for this service. Technological advancement replaced Ink card processing with electronic fingerprint processing which takes place at Motor Vehicle Administration. Materiality for fingerprinting fees, according to the Sheriff's Office was \$250 and did not cover expenses.

Police Report Fees

The Sheriff's Office charges out-of-county interests a fee for copies of police reports. Materiality per Sheriff's Office is \$2,005.

Taxicab Fees

Sheriff's Office collects fees for licensing of taxicabs. Materiality for these fees per Sheriff's Office is \$440.

Gaming Fees

Civil Division accounting collects fees from various organizations for gaming fundraising. Materiality per Sheriff's Office is \$5,347. The state provides a formula for the fees.

Audit Objective

The objectives of the audit were to:

1. Review the methodology and practices for fee revenue accounting
2. Review internal controls concerning fee revenue
3. Perform sample testing of the policies and procedures related to fee revenue accounting practices
4. Determine adherence to internal controls related to accounting for fee revenues

Scope of the Audit

The audit period examined on a test basis was FY 2012. The Scope was open ended. IA reviewed accounting records including bank reconciliation and journal entries for period ending May 31, 2012 concerning Civil Processing Fees. Due to low materiality, IA declined to perform substantive testing of the various accounts. IA performed walk-through observations, interviews with appropriate personnel, and reviewed sample documentation for all remaining fees collected by the Sheriff's Office.

General Highlights

The Sheriff's Office procedures and billing for the various fees reviewed show internal controls in place commensurate with materiality. Cash and billing are tracked through RMS software located on selected Sheriff's Office computers. Although IA did not gather substantive data as part of this exercise, it seems from observations that fees charged cannot cover the costs for performing the services. An effort to install enhanced controls would become counterproductive to the operation. That is, better controls would not pass the cost-benefit test.

Observations revealed that cash and checks are secured in locked boxes located in locked rooms with limited access until transported to GOB finance for depositing. Fees collected for civil processing are, by far, the largest amount of all the licensing and service functions performed by the Sheriff's Office. According to the Sheriff's Office, annual budgeted civil processing fee revenue for FY2013 is \$160,000. The Sheriff's Office maintains a checking account dedicated to civil processing. Bank reconciliations and journal entries seem to be in order for this account. Appendix I contains a horizontal block process diagram for civil processing fees.

Conclusion

Based on the information gathered in this process:

1. Methodology and practices for Sheriff's Office fee revenue accounting are satisfactory¹ based on materiality levels.
2. The administrative oversight procedures in place are at a satisfactory level of internal control for the stated purposes.
3. Limited testing and observation revealed that policies and procedures are at a satisfactory level.
4. Limited testing and observation revealed satisfactory adherence to internal controls.

Schedule of Findings and Recommendations

1. Alarm Fees

Information gathered indicates that there are two types of fees associated with alarms. The Sheriff's Office bills the licensing fees charged to alarm installers annually and accounts for them through RMS. Additionally, legislative bill 1995-2 established a fine to homes and businesses for repeated false alarms. According to Sheriff's Office, deputies responded to 1,479 false alarms in fiscal year 2012. IA recommends that management look into the structure and amount of the alarm fees charged in effort to recover some of the costs associated with running the licensing program and answering false alarms. As with any such endeavors, cost-benefit considerations should figure prominently into any enhancement decisions.

2. Civil Processing Fees

IA recommends codification of procedures for civil processing fees. The county has a robust system in place for civil processing fees. Due to the material nature of this particular fee structure, it should be included in the appropriate operating manual. Additionally we recommend that management separate the functions of deposit preparation and taking the deposits at the bank.

3. Fee Increases

As with alarm fees, IA recommends that management look at fee increases as a tool to help offset the costs involved with performing the various services discussed here. We understand that the Sheriff's Office has the ability to set fees for police reports, taxicabs, and alarms. It seems clear from interviews and intuitive observations that the costs of administering these programs far outweigh the fees charged. Comparisons with other jurisdictions may be in order. A member of the finance staff performed some research concerning taxicab medallions and we recommend some follow-up to determine if Wicomico fee structure is outdated comparatively. With Council's permission, IA stands ready to assist in any studies.

4. Gaming Fee Applications

IA recommends prenumbering of fee applications to enhance controls.

¹ For the purposes of this audit, IA uses a three-tier grading system recommended by the International Professional Practices Framework (IPPF) as expressed by the IPPF Practice Guide issued March 2009. The three tiers are Inadequate System of Internal Control, Adequate System of Internal Control, and Satisfactory System of Internal Control. Satisfactory findings indicate that overall controls are satisfactory, although some enhancements may be recommended. It is the highest rating on the scale.

Auditor's Closing Remark

The Wicomico County Office of the Internal Auditor would like to thank management and staff from the Sheriff's Office and GOB Finance Department for their timely cooperation and assistance during the audit.

Appendix I – Horizontal Process Block Diagram for Civil Processing Fees

		Performed Daily	Performed Monthly					
Originator	Papers sent to Sheriff's Office with check attached							
Police Records Specialist		Transactions entered into RMS	Serving papers returned stamped delivered/not delivered	Monthly report to Finance Officer with list of papers not served		Court papers returned to originator		
Serving Deputy		Papers to serving deputy						
Finance Officer			Checks batched with daily reports Stamped for deposit only; deposit slips prepared; deposit taken to bank		Spreadsheet and RMS tracking matched monthly	Checks written for papers not served	Check written for proceeds to general fund	
Finance Officer/ Grant Specialist				Perform Bank Reconciliation				
Fiscal Officer					Reconciliation reviewed			
GOB Finance						Copies forwarded and reviewed		Check added to general fund

Time

