



Deschutes County,
Oregon

Recommendation

1

Office of the District Attorney – Cash Handling

The Office of County Internal Audit
Elizabeth Pape, CIA, CFE – County Internal Auditor
Aaron Kay – Performance Auditor
internal.audit@deschutes.org

Audit committee:

Daryl Parrish, Chair - Public member
Jodi Burch – Public member
Joe Healy - Public member
Summer Sears – Public member
Stan Turel - Public member
Patti Adair, County Commissioner
Charles Fadeley, Justice of the Peace
Lee Randall, Facilities Director

Take survey by
clicking [HERE](#)



To request this information in an alternate format, please call (541) 330-4674 or send email to

internal.audit@deschutes.org

Table of Contents

1. Introduction	1
1.1. Background on the Office	1
2. Findings and Observations	4
2.1 Missing controls provide opportunity for fraud	5
3. Management Response	9
Appendix A: Objective, Scope, and Methods.....	10
i. Note on Internal Controls	11
ii. Objectives and Scope	11
iii. Methods.....	12

HIGHLIGHTS**Why this audit was performed:**

A periodic review of cash handling receipts.

What was recommended:

Office of the District Attorney staff should update accounting procedures to help staff comply with the Deschutes County Cash Handling Policy and to decrease the chance cash is stolen.

Office of the District Attorney—Cash Handling

The focus of the review was on internal control over the handling of Office of District Attorney customer payments, mostly discovery fees.

What was found

The Office of District Attorney did not comply with County cash handling policy when processing smaller and infrequent payments related to items like discovery. They did not make deposits daily which meant checks were sitting around unaccounted for. They also did not issue pre-numbered receipts, which made it easier to dispute transactions.

These smaller payments made up less than 0.1 percent of Office revenue. The small amount of these collections might make this area seem low risk, but the same factor makes them vulnerable to fraud.

Staff did not comply with County policy because the Office had outdated procedures in place which did not ensure compliance. Staff were working on updating procedures, but they were not yet complete.

Deschutes County Internal Audit

Introduction

The Deschutes County Audit Committee authorized the review of cash handling practices for the Office of the District Attorney in the Internal Audit Program Work Plan for 2022-2023. Internal audits of fiscal controls are routinely performed for identified County departments or functions. Audit objectives, scope, and methodology can be found in **Appendix A**.

Background on the Office

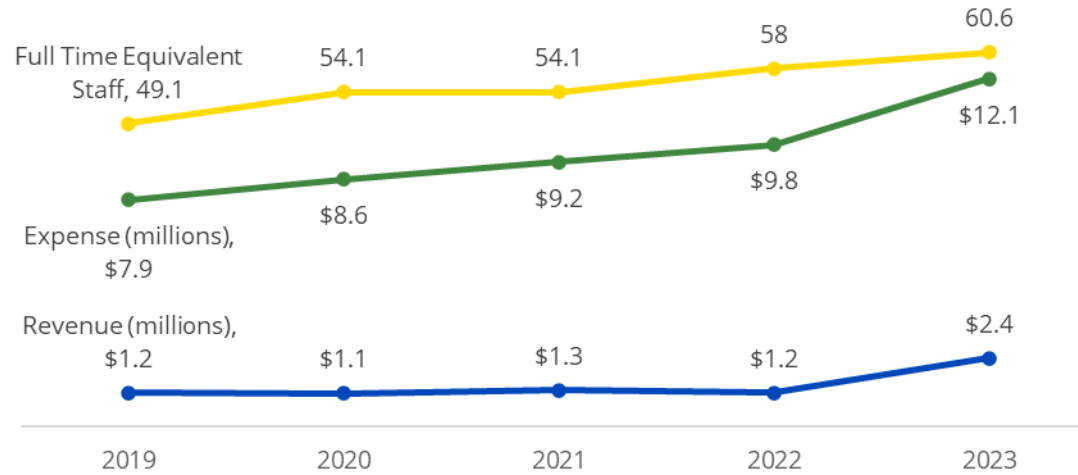
The mission of the Office of the District Attorney is to seek justice, advance public safety, and uphold the law. The Office achieves this mission by working with the community to prevent crime, holding offenders accountable when they commit crime, and ensuring victim voice in the criminal justice system. The Office is headed by an elected District Attorney who leads 25 attorneys and support staff comprised of trial assistants, victim assistants, information technology staff, and administrative staff.

Since 2019, staff, expenses, and revenue have all trended up. Full time equivalent staff increased from 49.1 to 60.6 in 2023. Expenses increased from \$7.9 million to \$12.1 million. Excluding general fund contributions, revenue doubled from \$1.2 million to \$2.4 million. Personnel expenses increased faster than other expenses.

Graph I

Staff, Expense, and Revenue Trends

Staff, Expenses, and Revenue
have all trended up since 2019

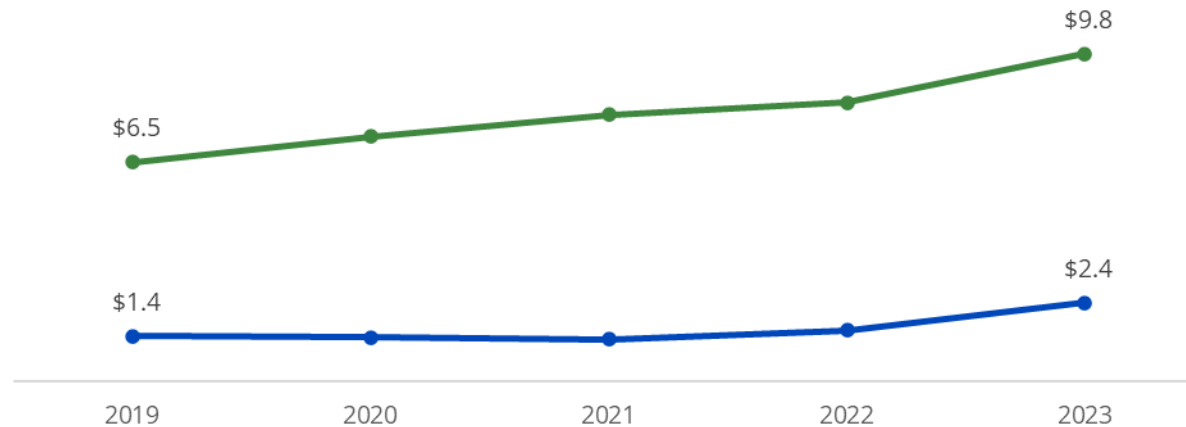


Source: County Financial Information

Graph II

Trends for
Personnel and
Other Expenses

Personnel Expenses increased faster than
Other Expenses. (millions of dollars)



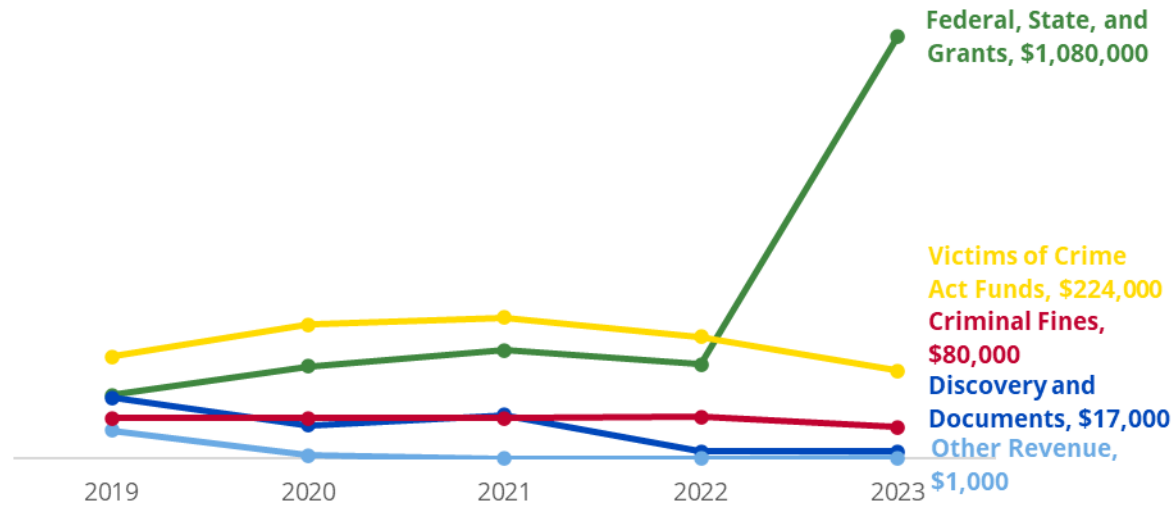
Source: County Financial Information

Most non-General Fund revenue remained steady, however grants increased while discovery and document fees decreased. Grants increased from \$161,000 in 2019 to \$1.1 million in 2023. Most of the increase was due to Criminal Justice Commission grant related to the emerging adult program. Document and discover fees decreased from \$155,000 in 2019 to \$17,000 in 2023. Some of the decrease was due to the ending of a state program that provided counties with a flat amount to pay for discovery for defendants who could not otherwise pay.

Graph III

Detailed Revenue Trends

Most revenues remained steady. **Grants** increased while **discovery and document fees** decreased.



Source: County Financial Information

Findings and Observations

Collecting revenue is not a main function of the Office of the District Attorney. Most revenue comes from the County General Fund. Other significant sources of revenue include federal and state funding as well as a few private grant programs. The Office also collects discovery fees and some small sources of miscellaneous revenue such as refunds. This revenue mostly came in the form of checks although there were some payments made with currency.

Missing controls provide opportunity for fraud

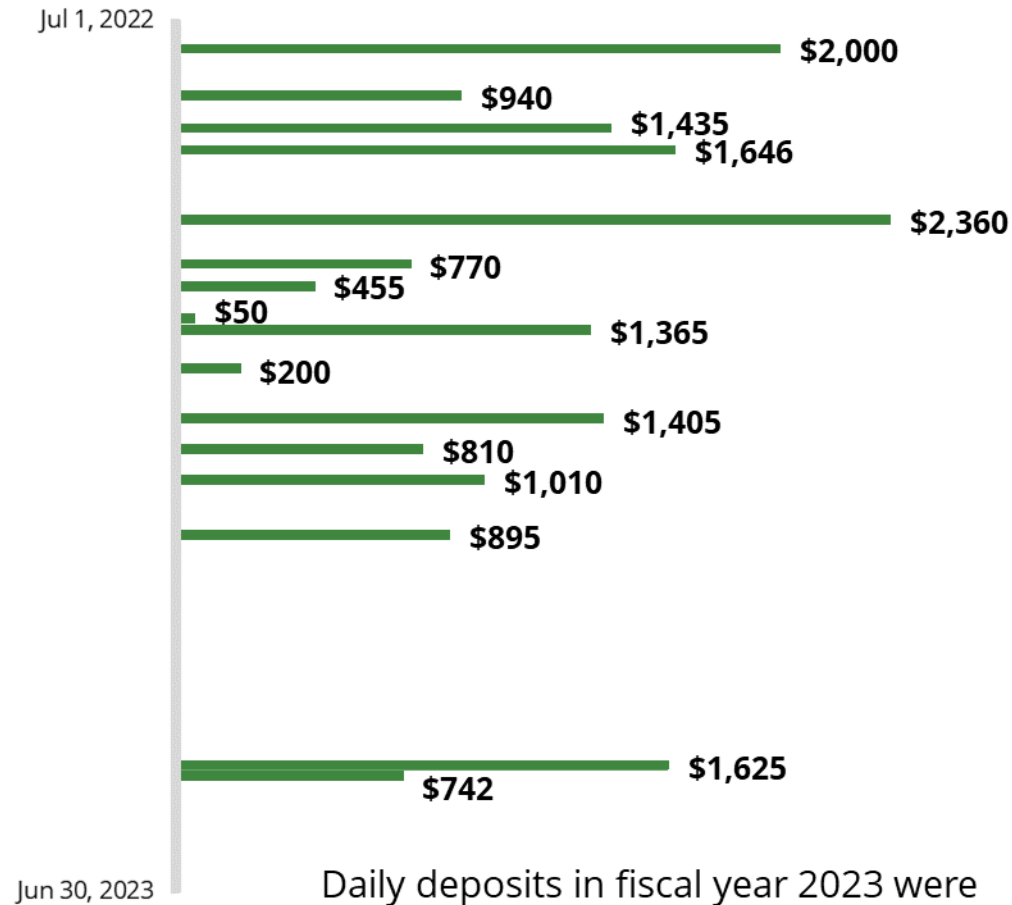
The Finance Department received and processed most federal, state, and grant funding that went to the Office of the District Attorney. Funds came in the form of electronic deposits and checks ranging from \$6,000 to \$680,000.

In contrast, Office staff deposited other fees and miscellaneous revenue inconsistently. These fees made up a small portion of the Office's budget. Discovery and document fees along with miscellaneous revenue totaled less than \$20,000 in 2023. That made up less than 0.7 percent of non-general fund revenue and less than 0.1 percent of all resources. The Office made sporadic deposits over the year ranging in size from \$50 to \$2,360.

The small amount of revenue from this source and its sporadic nature made cash collection seem like a low-risk activity. But these same factors also made it an opportunity for fraud. If no one is paying attention, and no one is relying heavily on the revenue, a fraudster can more easily fly under the radar.

Graph IV

Daily Deposits for Fees and Miscellaneous Revenue



Daily deposits in fiscal year 2023 were inconsistent in frequency and amount

Source: County Financial Information

The County Cash Handling Practices Policy (F-11) requires controls to limit opportunities for fraud and to ensure revenue is accurately recorded. For example, the policy requires daily deposits so

Despite the conflict with County policy, these were long-standing practices at the Office. Auditors first noted these practices in a 2009 Office of the District Attorney cash handling audit. The Office reported that it started making daily deposits and using numbered receipts in a 2010 follow-up, but the practice had gone by the wayside since. Auditors again noted the practices in a 2023 transition audit.

The Office continued to be without these controls because the Office had outdated procedures in place which did not ensure compliance. Staff were working on updating procedures, but they were not yet complete. Documented procedures are more important, not less, when activities happen irregularly or infrequently.

Recommendation

Office of the District Attorney staff should update accounting procedures to help staff comply with the Deschutes County Cash Handling Policy and to decrease the chance cash is stolen.

**Office of the
District
Attorney
Response**



Steve Gunnels District Attorney

1164 NW Bond Street • Bend, Oregon 97703
(541) 388-6520 • Fax: (541) 330-4691
www.dcta.us

September 15, 2023

Steve Gunnels
District Attorney
Deschutes County District Attorney's Office

Elizabeth Pape
County Internal Auditor
Deschutes County Office of the County Internal Auditor

RE: DA Cash Handling Audit Response

Dear Ms. Pape,

I am writing to express my agreement with the recent findings of the cash receipts audit pertaining to our office. I fully support the recommendation that our accounting procedures should be updated to align with the Deschutes County Cash Handling Policy.

The audit revealed areas where our current procedures may not comply with the county's policy, potentially increasing the risk of cash mishandling or theft. To address this, we will update our accounting procedures to ensure our practices align with the policy and enhance financial controls. We commit to completing these within 4-6 week, submitting to you no later than November 1, 2023.

Additionally, I recommend establishing a regular auditing schedule to maintain compliance and promptly address any issues. Strengthening our financial controls will not only protect our funds but also reinforce public trust.

Please consider this letter as my formal endorsement of the audit findings and my commitment to implementing the recommended changes.

Thank you for your attention to this matter, and feel free to contact me for further information or support.

Sincerely,

Steve Gunnels
Deschutes County
District Attorney

Appendix A: Objectives, Scope, and Methods

The County Internal Auditor was created by the Deschutes County Code as an independent office conducting performance audits to provide information and recommendations for improvement.

Note on Internal Controls

The audit included limited procedures to understand the systems of internal control around revenues. No significant deficiencies were found in this audit. A significant deficiency is defined as an internal control deficiency that could adversely affect the entity's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The findings noted were primarily compliance matters.

Audit findings result from incidents of non-compliance with stated procedures and/or departures from prudent operation. The findings are, by nature, subjective. The audit disclosed certain policies, procedures and practices that could be improved. The audit was neither designed nor intended to be a detailed study of every relevant system, procedure, or transaction. Accordingly, the opportunities for improvement presented in the report may not be all-inclusive of areas where improvement may be needed and does not replace efforts needed to design an effective system of internal control.

Management has responsibility for the system of internal controls, including monitoring internal controls on an ongoing basis to ensure that any weaknesses or non-compliance are promptly identified and corrected. Internal controls provide reasonable but not absolute assurance that an organization's goals and objectives will be achieved.

Objectives and Scope

Objectives included:

1. Review of internal controls for cash handling with the Office of the District Attorney as



“Audit objectives” define the goals of the audit.

outlined in County Finance policy for cash handling (F-11). Identify areas to improve efficiency and effectiveness. Additionally, review management of any change cash, petty cash, receipts, credit cards, judgements, collections, and billings, as applicable.

2. Be aware of any issues with compliance with federal and state regulations and requirements, as may be applicable.

Scope and timing:

The audit occurred in August and September 2023. Included in review of cash handling of District Attorney’s Office accounting, primarily Fund 001-11 and Fund 212. No petty cash was present in the Office. The focus of the review was on internal controls over discovery and other small payments. The scope of the audit did not include all aspects of the internal controls employed.



“Audit procedures are created to address the audit objectives”

Methods

Audit procedures included:

- Interviewing staff related to cash handling, receipting, and billing procedures (staff reviewed and answered the County’s cash handling checklist provided in the Deschutes County cash handling policy F-11).
- Reviewing written procedures and documents provided.
- Reviewing and analyzing receipt transaction data for the identified funds; and
- Reviewing and analyzing revenue data for the identified funds.

We conducted this performance audit in accordance with generally accepted government auditing

standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

(2018 Revision of Government Auditing Standards, issued by the Comptroller General of the United States.)

{End of Report}

Please take a survey on this report by clicking on the attached link:

<https://www.surveymonkey.com/r/2324-4>



If you would like to receive future reports and information from Internal Audit or know someone else who might like to receive our updates, sign up at <http://bit.ly/DCInternalAudit>.