

*The County of Chester
Office of the Controller
Internal Audit Department*



*Management Letter
Office of the Sheriff
For the year ended December 31, 2009*

Valentino F. DiGiorgio III

Valentino F. DiGiorgio, III, Controller

To: Carolyn B. Welsh, Sheriff

Introduction

On April 30, 2010, Internal Audit completed an audit of the *Office of the Sheriff (Sheriff)*. Sharon Kaye Jones, CIA, was the auditor-in-charge and was assisted by two additional auditors. Internal Audit is required by Pennsylvania County Code to review county offices annually to ensure compliance with policies and procedures and to assess their overall internal control structure. The scope of our audit included a review of the following:

- Cash, Petty Cash, and Imprest Fund
- Accounts Receivable
- Weapons Inventory
- Liabilities
- Cash Receipts
- Cash Disbursements
- Voided Transactions
- Credit Cards
- Escheats (Unclaimed Property Report)

We conducted our audit in accordance with generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards* published by the Comptroller of the United States. We have also issued our Independent Auditor's Report on Compliance and Internal Control over Financial Reporting concurrent with this management letter. Disclosures and other information in this report (also dated April 30, 2010) should be considered in conjunction with this management letter.

Executive Summary

The management and staff of the *Sheriff* are, in all material respects, in compliance with policies and procedures imposed by the County of Chester and by the *Sheriff*. Minor findings involving internal controls and compliance are included within this Management Letter. Based on Internal Audit's testing and observations, it is our opinion that these deficiencies are not the result of negligence or deliberate misconduct, but are instead the consequence of one or more of the following:

- Oversights
- Human error

We would like to thank the management and staff of the *Sheriff* for their cooperation and assistance during the course of this audit. We have provided herein a copy of our "Audit Findings" and "Recommendations" for your review and comment.

Please feel free to contact our office at (610) 344-5913 should you have any questions or concerns.

COUNTY OF CHESTER

OFFICE OF THE SHERIFF

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2009

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECONCILIATION

Finding 1: Accounts Receivable

A review of accounts receivable records as of 12/31/09 disclosed some inaccuracies. Upon confirming open balances with the Office of Tax Claim, Internal Audit found that 2 of the 24 outstanding Tax Claim accounts had been satisfied by delinquent taxpayers during 2009 and monies had not been paid over to the Office of the Sheriff to relieve its receivable balance. In addition, there was one other account that had been closed by resolution and all related fines and costs had been forgiven. The Office of the Sheriff had not been informed of this decision and, as a result, the account balance had not been written off.

Recommendation

Internal Audit recommends that a reconciliation between the Offices of Tax Claim and the Sheriff be performed monthly (or at the very least, annually) to compare “due to” and “due from” information between the two offices. The amount of the overstatement equaled \$598 (15% of the total accounts receivable balance related to Tax Claim bills) and represents an error rate of 12%.

Due to the fact that a reconciliation process has never existed between the two offices, Internal Audit suggested that open receivable balances from 2007 and 2008 also be examined and reconciled. The results of this expanded testing have not been received as of the date of this report, but findings will be reviewed with both offices once the process has been completed.

Auditee Response

Will be more conscience to dun Tax Claim for fees due for services rendered.

COUNTY OF CHESTER
OFFICE OF THE SHERIFF
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2009

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECONCILIATION

Finding 2: Imprest Fund

Upon review of the Imprest Fund manual ledger (a checking account used primarily for out-of-state transports which is replenished by the County General Fund), Internal Audit determined that in one instance, change received from an advance payment was incorrect by \$.01. Although the amount is immaterial, the error was not identified by the account custodian in a timely manner, and as a result the fund was overstated at 12/31/09.

Recommendation

Internal Audit recommends that in addition to keeping a ledger for the Imprest fund (which details payments made, change submitted from the deputy after the transport, reimbursement from the General fund to replenish funds used, and a running balance), the Office of the Sheriff should prepare a reconciliation for each advance payment whereby disbursements will be directly compared to the amount of change received (from the deputies) and amount reimbursed (from the County General Fund). In this manner, the account custodian will be sure that the exact amount of the disbursement is replenished in the account.

Internal Audit further recommends that both the ledger and the reconciliations be maintained in Excel since manual records leave a greater margin for error.

Auditee Response

Human error - Will follow recommendations as stated.

COUNTY OF CHESTER

OFFICE OF THE SHERIFF

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2009

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECORDING / RECORDKEEPING

Finding 1: Cash Receipts

Upon entering a check payment into the CourtView system, the clerk erroneously entered the check number in the “date” field. The date was not recognized in the system, and as a result the receipt amount was not included in the Receipt Account Listing report totals for the year. The Escrow Receipt total per the Account Balance Listing report however was properly stated.

Recommendation

Internal Audit suggests that the system be modified to disallow manual entry into the date field in the future. If this is not permissible, Internal Audit would like to remind the staff of the importance of accurate data entry and that they should exercise greater care when recording information for payment receipts.

Auditee Response

Human error - Operators asked to be mindful of what is being entered. Will request DCIS to install a safeguard to prevent this from happening again.

Finding 2: Manual Receipts

Manual receipts records for the last 6 months of 2009 were reviewed and tested. (Records for January – May 2009 were included in the 2008 audit.) Internal Audit identified two instances whereby the manual receipt number was not referenced on the Courtview computer receipt.

It should be noted that these results show considerable improvement from the previous year.

COUNTY OF CHESTER
OFFICE OF THE SHERIFF
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2009

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECORDING / RECORDKEEPING

Finding 2: Manual Receipts (continued)

Recommendation

Internal Audit would like to remind the Office of the Sheriff that all manual receipts should be referenced on the corresponding computer receipt.

Auditee Response

Human error – Will ask those using manual receipts to be more careful in the future.

Finding 3: Weapons Inventory

A sample of 50 weapons currently held in custody by the Office of the Sheriff was selected for testing. The inventory control log (which details physical location and identification information) was verified to actual weapons held in safekeeping by the Office of the Sheriff.

Internal Audit determined (1) that 3 weapons were not physically located in the appropriate place detailed on the inventory control log and (2) that 2 items were not properly tagged to identify their corresponding case number.

Recommendation

Internal Audit recommends that the Office of the Sheriff pursue an electronic inventory system similar to the County's asset management system to catalog and maintain weapons held in custody by the department.

COUNTY OF CHESTER
OFFICE OF THE SHERIFF
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2009

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECORDING /RECORDKEEPING

Finding 3: Weapons Inventory (continued)

Auditee Response

(1) One case – four slots Eq. 120, 121, 122, 124 numbers were put on side of paper; numbers are now put on same line as the weapons. All old records not updated, weapons are still able to be accounted for as we all found out.

(2) An oversight on the Deputies part, matter has been addressed with co-workers.

Finding 4: Imprest Fund

One Imprest fund check disbursed in 2009 was issued out of sequence.

Recommendation

Internal Audit recommends that the account custodian exercise greater care to ensure that checks are used in order.

Auditee Response

Oversight - 1st check of the year - did go back and use the skipped check.

COUNTY OF CHESTER
OFFICE OF THE SHERIFF
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2009

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

AUTHORIZATION

Finding 1: Imprest Fund

Two checks disbursed from the Imprest fund were issued without an authorizing signature and were cashed by the bank.

Recommendation

Internal Audit recommends greater caution to ensure that checks are not mailed or distributed until they are properly reviewed and signed by an authorized party.

Auditee Response

Oversight - will be move careful to see that checks are signed before being released to appropriate party.

II. COMPLIANCE WITH POLICIES AND PROCEDURES

Finding 1: Escheats

A check number listed on the 2009 Escheat report was incorrect. As a result, information provided the Commonwealth of PA is inaccurate with regard to this one “unclaimed” payment.

Recommendation

Internal Audit recommends that escheat reports be reviewed by an individual other than the preparer before being mailed or electronically transmitted. The *Sheriff* should contact the Department of the Treasury to inform them of the correction.

COUNTY OF CHESTER
OFFICE OF THE SHERIFF
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2009

II. COMPLIANCE WITH POLICIES AND PROCEDURES

Finding 1: Escheats (continued)

Auditee Response

Human Error – typo – this was an aggregate check (under \$50.00) so therefore it is not necessary to report it.

Finding 2: Voided Transactions

Internal Audit noted the following:

- In 2 instances, a cancelled receipt was not properly marked “void”.
- In 2 instances, a voided receipt was not referenced to a replacement receipt.
- In 1 instance, a voided receipt could not be located.
- In 9 instances, a voided check copy was not properly annotated with the void date, the reason for the void, or the replacement check number.

Recommendation

Internal Audit would like to remind the staff to be more cautious when canceling receipts and disbursements. Voided transactions should be clearly identified as such; documenting the reason for the void, the date voided, and the replacement receipt / check number, if applicable.

Auditee Response

Human Oversight – these have been corrected - will be more careful in the future.

COUNTY OF CHESTER

OFFICE OF THE SHERIFF

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2009

II. COMPLIANCE WITH POLICIES AND PROCEDURES

Finding 3: Credit Cards

Internal Audit selected 24 credit card payment vouchers to review for compliance with County policy. The vouchers were all dated after 8/3/09 which was the date of the 2008 audit closing meeting. It was during this meeting that Internal Audit made several recommendations related to the department's use of County issued credit cards. For 2009, the following procedural nonconformities were noted:

- In 2 instances, the Office of the Sheriff paid sales tax on purchases made with its credit card. The County is tax exempt.

In addition to these infractions, a few of the purchases did not appear to be the result of an "emergency" and could have been completed via the normal procurement process.

Recommendation

Internal Audit refers the Office of the Sheriff to the guidelines established by the County related to the use of credit cards. The Office should also remember to provide the County's tax exempt number for all purchases other than meals and lodging.

Auditee Response

Human error - Those using credit cards will be reminded that the county is tax exempt and when purchasing something they must advise the vendor of this by supplying the tax exempt number.

Finding 4: Cash Disbursements

Internal Audit determined that the same check number was erroneously used twice. As a result, the second (correct) check number is missing from sequence on the check register.

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FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2009

II. COMPLIANCE WITH POLICIES AND PROCEDURES

Finding 4: Cash Disbursements (continued)

In addition, one payout resulting from Real Estate Sheriff Sales was incorrect based on the transaction's expense sheet.

Recommendation

Internal Audit recommends that the bookkeeping staff be more careful when manually entering the next check number to be printed. The check number should be physically verified to the actual check form prior to input.

Internal Audit further recommends that all "Real Estate Sheriff Sale Expense Sheets" be compared against the physical check prior to signing to ensure that the disbursement is accurate.

Auditee Response

Check amount was correct. Human oversight- It was inadvertently forgotten to change the Real Estate Sheriff Sale Expense Sheet. Will try to be more careful in the future.

COUNTY OF CHESTER
OFFICE OF THE SHERIFF
SUMMARY OF EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2009

Sheriff Carolyn Welsh indicated through a written confirmation that an exit conference would be waived this year. The Sheriff has accepted the Report and Management Letter as they are now presented.