

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



*Management Letter
Office of the Sheriff
For the year ended December 31, 2007*

Valentino F. DiGiorgio

Valentino F. DiGiorgio, III, Controller

To: Carolyn B. Welsh, Sheriff

Introduction

On May 14, 2008, Internal Audit completed an audit of the *Office of the Sheriff (Sheriff)*. Sharon Kaye Jones, CIA, was the auditor-in-charge. 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
- Liabilities
- Cash Receipts
- Cash Disbursements
- Voided Transactions
- Escheats (Unclaimed Property Report)

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, 2007

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECORDKEEPING

Finding 1: Cash / Voided Disbursement

In 1 instance a check that should have been voided, was issued in error. The recipient accepted the payment and cashed the check. As a result, an individual was overpaid and the case's corresponding escrow account reflected a negative balance. The mistake was not detected until the following month as part of the reconciliation process at which time the individual was contacted and asked to refund the overpayment. The monies were received a month and a half later and applied to the related escrow case.

Recommendation

The staff of the *Sheriff* should exercise greater care to ensure that erroneous payments are properly cancelled and retained within the department. At no time should a check that is not in the department's physical possession be voided.

Auditee Response

Completely agree and will be sure recommendation is followed.

RECONCILIATION

Finding 1: Cash / Interest

Internal Audit noted that the *Sheriff's* method of paying over their bank account interest was incorrect. Currently, all interest is paid to the County from the *Sheriff's* checking account. Interest from the "surcharge" account is properly transferred to the checking account prior to this payout. There are however, no transfers from the money market account or the CD to the checking account to move the interest before the payout. Additionally, interest earned on the CD is rolled directly into principal and is being reinvested. This interest should only be transferred and paid to the County when the CD matures.

COUNTY OF CHESTER
OFFICE OF THE SHERIFF
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2007

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECONCILIATION (continued)

Finding 1: Cash / Interest (continued)

It is important to note that although on the books the checking, money market and CD comprise the same balance sheet account, they remain separate bank accounts. As a result, the checking account has been shorted by the amount of interest earned by the money market account and the CD since 2005. These amounts are \$121,342.06 and \$59,178.96 respectively.

Recommendation

Internal Audit recommends that \$121,342.06 be transferred to the checking account from the money market account to cover the amount of interest that has already been paid out of the checking account. This transfer should be functioned separately and properly documented. In the future, any interest earned on the money market account must be physically transferred into the checking account before it is paid over to the County.

As for the CD, Internal Audit recommends that the checking account be replenished by \$59,178.96 to cover the amount of CD interest paid over to the County in error. Since the money cannot be paid over from the CD itself at this time, it is recommended that the *Sheriff* net their next interest payment to the County by this amount. In this manner, the checking account will be replenished. Internal Audit further recommends that the *Sheriff* continue to record CD interest on the books, but should not pay any interest over to the County until the CD matures.

Auditee Response

Completely agree and will follow recommendation as stated.

COUNTY OF CHESTER
OFFICE OF THE SHERIFF
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2007

II. COMPLIANCE WITH POLICIES AND PROCEDURES

Finding 1: Voided Disbursements

Internal audit noted the following:

- In 2 instances, the physical check was not marked “void”.
- In 1 instance, the check copy was not marked “void”. (The *Sheriff* was not in possession of the original check.)
- In 2 instances, the date of the “void” was not annotated.
- In 1 instance, the reason for the “void” was not documented and could not be determined from available information.
- In 2 instances, the signature line was not properly defaced.
- In 7 instances, the replacement check was not referenced.

Recommendation

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

Auditee Response

Completely agree and will follow recommendation as stated.

COUNTY OF CHESTER
OFFICE OF THE SHERIFF
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2007

II. COMPLIANCE WITH POLICIES AND PROCEDURES

Finding 2: Escheats

In 3 separate instances, Internal Audit noted that information provided on the 2007 Escheat report was incorrect. In 1 instance, the owner of the money is listed as “Nationwide Mutual Insurance Co.” when in fact it should be “Beneficial Mortgage Co.”. The other 2 errors (check date and account number) are incidental to the report and will not affect any claims to ownership.

Recommendation

Internal Audit recommends that escheat reports be reviewed by an individual other than the preparer before being mailed or electronically transmitted. It is further recommended that the *Sheriff* resubmit the page (pages) containing the errors to the Commonwealth of PA Office of the Treasury, indicating the necessary corrections as soon as possible to avoid payout to the wrong party.

Auditee Response

Will make necessary corrections for 2007 report. Will follow recommendations as stated.

COUNTY OF CHESTER
OFFICE OF THE SHERIFF
SUMMARY OF EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2007

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.