

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



*Management Letter
Office of the Sheriff
For the year ended December 31, 2008*

Valentino F. DiGiorgio III

Valentino F. DiGiorgio, III, Controller

To: Carolyn B. Welsh, Sheriff

Introduction

On August 18, 2009, 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 one additional auditor. 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)

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 August 18, 2009) 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
- Unfamiliarity with CourtView

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, 2008

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECONCILIATION

Finding 1: Cash

Internal Audit determined that since the CourtView conversion in October 2008, the *Sheriff* has not prepared a reconciliation of the surcharge bank account.

Recommendation

All bank accounts should be properly reconciled in a timely manner each month. This provides an opportunity to identify and resolve bank and bookkeeping errors immediately.

It should be mentioned that upon notifying the department bookkeepers of this oversight, a reconciliation of the account was prepared as of December 31, 2008 on June 17, 2009.

Auditee Response

The computer glitch that caused this was taken care of. Audit is assured that it will not happen again.

Finding 2: Cash

Upon review of the *Sheriff's* reconciliation of the Operating account as of December 31, 2008, Internal Audit determined that the Book Balance did not agree with the Operating account balance on the *Sheriff's* Balance Sheet. In addition, surcharge interest was added to both the bank and book balance as an adjustment at year end. Although the surcharge interest does get transferred into the operating account, the December quarterly interest did not get moved until January 2009. As a result, the interest should have had no impact on the Operating account at year end.

COUNTY OF CHESTER
OFFICE OF THE SHERIFF
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2008

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECONCILIATION

Finding 2: Cash (continued)

Recommendation

Revisions need to be made to the internally created Balance Sheet so that the Operating and Surcharge account balances agree to the Account Balance Listing report generated by CourtView.

Additionally, the staff of the *Sheriff* should be reminded that there are no adjustments to the bank balance other than for *deposits in transit, outstanding checks* and/or *bank errors*. Interest transfers that are not reflected on the bank statement as of the date of the reconciliation should not be considered as an adjustment.

Auditee Response

The CourtView system was adjusted for this change and the bookkeepers are in total agreement.

RECORDING / RECORDKEEPING

Finding 1: Accounts Receivable

The *Legacy* Accounts Receivable balance as of the conversion date was not docketed into the CourtView system. Instead, the bookkeeper chose to keep manual records of the amount owed (\$30.06). As of the date of the audit, the bookkeeper was confident that the amount was never entered into CourtView; however, a review of the “Outstanding Costs report shows that the transaction was eventually docketed on 5/15/09. A discussion with the department’s DCIS liaison assured Internal Audit that all current “billable transactions” are being docketed into CourtView. A receipt is not generated however until the money is actually received. In this manner, revenues are not affected until the money is collected.

COUNTY OF CHESTER
OFFICE OF THE SHERIFF
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2008

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECORDING / RECORDKEEPING

Finding 1: Accounts Receivable (continued)

Recommendation

All billable transactions should be docketed immediately into the CourtView system. The Outstanding Costs report should be reviewed regularly with sufficient and timely follow-up on long outstanding balances.

Auditee Response

This will be addressed.

Finding 2: Manual Receipts

Due to a system conversion and physical relocation of the department in October 2008, the Sheriff was forced to use manual receipts for the first time. A review of manual receipt records for October 2008 – May 2009 disclosed the following:

- Receipts were not used consecutively. There were many large gaps in between “used” receipts because the Deputy forgot to put a divider between pages to prevent information from bleeding through as a result of multiple carbons.
- Unused / spoiled receipts were not marked “void”.

In addition, Internal Audit noted:

- In 1 instance, a manual receipt was issued in lieu of a petty cash voucher.
- On 3 occasions, the manual receipt was not entered into the computer system within one business day.

COUNTY OF CHESTER
OFFICE OF THE SHERIFF
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2008

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECORDING / RECORDKEEPING

Finding 2: Manual Receipts (continued)

- In 11 instances, the manual receipt was not referenced on the computer receipt.

Recommendation

The *Sheriff* has informed Internal Audit that the Office will continue using manual receipts. For the rest of 2009 and going forward, the *Sheriff* will use manual receipts when taking passport photos in conjunction with naturalization ceremonies held at the Historic Courthouse, when the system is down, or when money is receipted in court after hours.

Internal Audit recommends that manual receipts be used in numerical sequence and that spoiled receipts be properly cancelled. Manual receipts should never be used for petty cash withdrawals. Vouchers have been provided for that purpose.

Auditee Response

This has been addressed and will be followed accordingly.

AUTHORIZATION

Finding 1: Imprest Fund

During 2008, one check from the Imprest fund was issued without an authorizing signature and was cashed by the bank.

COUNTY OF CHESTER
OFFICE OF THE SHERIFF
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2008

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

AUTHORIZATION

Finding 1: Imprest Fund (continued)

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

Deputies will be instructed to make sure checks are signed.

II. COMPLIANCE WITH POLICIES AND PROCEDURES

Finding 1: Escheats

A check number listed on the 2008 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

Auditee Response

Steps will be taken to do so.

COUNTY OF CHESTER
OFFICE OF THE SHERIFF
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2008

II. COMPLIANCE WITH POLICIES AND PROCEDURES

Finding 2: Voided Receipts

Internal Audit noted the following:

- In 3 instances, a cancelled receipt was not properly marked “void”.
- In 9 instances, a voided receipt was not referenced to a replacement receipt.

Recommendation

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

Auditee Response

This has been addressed.

COUNTY OF CHESTER
OFFICE OF THE SHERIFF
SUMMARY OF EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2008

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.