



SHERIFF

MONTGOMERY COUNTY

EXAMINATION REPORT

FOR THE PERIOD

SEPTEMBER 1, 2001 TO FEBRUARY 28, 2006

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Section:	
Statement Of Receipts And Disbursements.....	3
Notes To The Statement Of Receipts And Disbursements.....	4
Finding And Recommendations:	
Finding - Inadequate Internal Controls Over The Bank Account	5
Report Distribution	7

Independent Auditor's Report

State Treasurer
Treasury Department
129 Finance Building
Harrisburg, PA 17120-0018

We have examined the accompanying statement of receipts and disbursements (Statement) of the Sheriff, Montgomery County, Pennsylvania (County Officer), for the period September 1, 2001 to February 28, 2006, pursuant to the requirements of Section 401(e) of *The Fiscal Code*. This Statement is the responsibility of the county office's management. Our responsibility is to express an opinion on this Statement based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. An examination includes examining, on a test basis, evidence supporting the Statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

We are mandated by Section 401(e) of *The Fiscal Code* to audit the accounts of each county officer to determine whether all moneys collected on behalf of the Commonwealth have been correctly reported and promptly transmitted. *Government Auditing Standards* issued by the Comptroller General of the United States include attestation engagements as a separate type of audit. An attestation engagement performed pursuant to *Government Auditing Standards* involves additional standards that exceed the standards provided by the American Institute of Certified Public Accountants. Accordingly, this attestation engagement complies with both *Government Auditing Standards* and Section 401(e) of *The Fiscal Code*.

Independent Auditor's Report (Continued)

In our opinion, the Statement referred to above presents, in all material respects, the operations of the County Officer as it pertains to receipts made on behalf of the Department of Treasury for the period ended February 28, 2006, in conformity with the criteria set forth in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Statement and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Statement is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Statement or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed a certain finding that is required to be reported under *Government Auditing Standards* and this finding is described in the Finding and Recommendations section of the report.

This report is intended solely for the information and use of the Pennsylvania Department of Treasury and the County Officer and is not intended to be and should not be used by anyone other than these specified parties.

October 5, 2006

JACK WAGNER
Auditor General

SHERIFF
MONTGOMERY COUNTY
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
SEPTEMBER 1, 2001 TO FEBRUARY 28, 2006

Receipts:

Deputy Sheriff's Training and Education Surcharges (Note 2)	\$	1,238,640
Disbursements to Department of Treasury (Note 3)		<u>1,238,640</u>
Balance due Department of Treasury (Sheriff's Office) (Note 4)		-
Examination adjustments		<u>-</u>
Adjusted balance due Department of Treasury (Sheriff's Office) for the period September 1, 2001 to February 28, 2006	\$	<u><u>-</u></u>

Notes to the Statement Of Receipts and Disbursements are an integral part of this report.

SHERIFF
MONTGOMERY COUNTY
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
SEPTEMBER 1, 2001 TO FEBRUARY 28, 2006

1. Criteria

The Statement of Receipts and Disbursements (Statement) has been prepared in accordance with Title 72 P.S. Section 401 (e) of *The Fiscal Code*, which requires the Department of the Auditor General to determine whether all money collected on behalf of the Commonwealth for the Deputy Sheriff's Education and Training Account of the Commonwealth has been remitted properly.

The Statement was prepared in accordance with reporting requirements prescribed by the Pennsylvania Department of Treasury. Under this method, only the Commonwealth portion of cash receipts and disbursements are presented, revenues are recognized when received, and expenditures are recognized when paid.

2. Receipts

Total receipts consist of Deputy Sheriff's Education and Training Surcharges collected on behalf of the Department of Treasury.

3. Disbursements

Total disbursements are comprised of checks to the Department of Treasury.

4. Balance Due Department Of Treasury (Sheriff's Office) For The Period September 1, 2001 To February 28, 2006

This balance reflects a summary of transmittal reports as settled by the Department of Treasury.

5. County Officer Serving During Examination Period

John P. Durante served as Sheriff during the period September 1, 2001 to February 28, 2006.

SHERIFF
MONTGOMERY COUNTY
FINDING AND RECOMMENDATIONS
FOR THE PERIOD
SEPTEMBER 1, 2001 TO FEBRUARY 28, 2006

Finding - Inadequate Internal Controls Over The Bank Account

The Sheriff collects the Deputy Sheriff's Education and Training Surcharge (Surcharge) and deposits these collections into the General account. Monies are then transferred monthly from the General account to the Surcharge account for the amount of Surcharge collected for the month. Our review of the accounting records for the office disclosed the following deficiencies:

- Bank reconciliations were not prepared timely.
- There was no adequate accountability over undisbursed funds.
- There was an overage of \$105,217 in the Surcharge account.
- Interest accumulated in the Surcharge account was never remitted to the County.

These conditions existed because the Sheriff failed to establish adequate internal controls over its bank account. The overage was due to the Sheriff's office transferring an excess total of \$105,217 from the General account to the Surcharge account, which was more than collected for the Surcharge account throughout the audit period.

A good system of internal accounting controls ensures that:

- Bank reconciliations are prepared on a monthly basis.
- The ending adjusted bank balance is reconciled with liabilities on a monthly basis and any discrepancies are immediately investigated and resolved. Since the bank account of the office is essentially an escrow account on behalf of the Commonwealth, County, and other participating entities, all available cash on hand should equal unpaid obligations.
- Interest accumulated in the Surcharge account is remitted to the County.

Without a good system of internal controls over the bank account, the potential is increased that funds could be lost, stolen, or misappropriated.

SHERIFF
MONTGOMERY COUNTY
FINDING AND RECOMMENDATIONS
FOR THE PERIOD
SEPTEMBER 1, 2001 TO FEBRUARY 28, 2006

Finding - Inadequate Internal Control Over The Bank Account (Continued)

Recommendations

We recommend that the office establish and implement an adequate system of internal controls over the bank account as noted above. We further recommend that the Sheriff only transfer the amount of the Surcharge collected for the month into the Surcharge account from the General account. Additionally, we recommend that the Sheriff transfer \$105,217 back to the General account to which it is due.

Management's Response

No formal response was offered at this time.

SHERIFF
MONTGOMERY COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
SEPTEMBER 1, 2001 TO FEBRUARY 28, 2006

This report was initially distributed to:

State Treasurer
Treasury Department
129 Finance Building
Harrisburg, PA 17120-0018

Sheriff
Montgomery County
P. O. Box 311
Norristown, PA 19404

The Honorable John P. Durante

Sheriff

The Honorable Eric Kretschman

Controller

The Honorable Thomas Jay Ellis

Chairman of the Board

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. To view this report online or to contact the Department of the Auditor General, please access our web site at www.auditorgen.state.pa.us.