

SHERIFF

PHILADELPHIA COUNTY

EXAMINATION REPORT

FOR THE PERIOD

MARCH 1, 2003 TO AUGUST 31, 2007

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Independent Auditor's Report

The Honorable Robin L. Wiessmann
Treasurer
Pennsylvania Department of Treasury
129 Finance Building
Harrisburg, PA 17120-0018

We have examined the accompanying statement of receipts and disbursements (Statement) of the Sheriff, Philadelphia County, Pennsylvania (County Officer), for the period March 1, 2003 to August 31, 2007, pursuant to the requirements of Section 401(e) of *The Fiscal Code*, 72 P.S. § 401(e). 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 assessed, reported and promptly remitted. *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 Pennsylvania Department of Treasury for the period ended August 31, 2007, in conformity with the criteria set forth in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of significant 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 reporting on the Statement or on compliance and other matters; accordingly, we express no such opinions.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County Officer's ability to initiate, authorize, record, process, or report data reliably in accordance with the applicable criteria such that there is more than a remote likelihood that a misstatement of the County Officer's Statement that is more than inconsequential will not be prevented or detected by the County Officer's internal control. We consider the deficiency described in the finding below to be a significant deficiency in internal control over the reporting on the Statement:

- Inadequate Internal Control Over Receipts.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the Statement will not be prevented or detected by the County Officer's internal control. Our consideration of the internal control over reporting on the Statement would not necessarily disclose all matters in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the significant deficiency described above to be a material weakness.

Independent Auditor's Report (Continued)

The results of our tests also did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we did note an other matter that, while not required to be included in this report by *Government Auditing Standards*, has been included in the finding below:

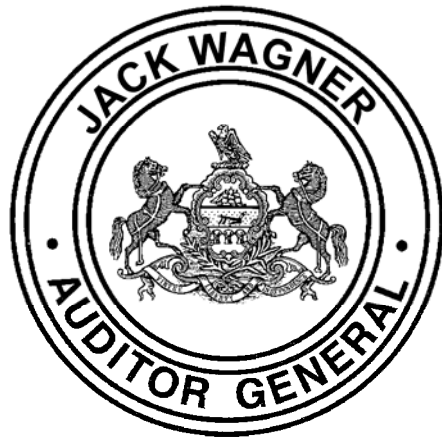
- Commonwealth's Portion Of Revenue Was Not Always Transmitted Timely.

We are concerned in light of the County Officer's failure to correct previously reported findings regarding the commonwealth's portion of revenue that was not always being transmitted timely and the inadequate internal control over receipt procedures. These significant deficiencies increase the risk for funds to be lost, stolen, or misappropriated and in untimely payments to the Department of Treasury. The County Officer should strive to implement the recommendations and corrective action noted in this examination report.

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

May 15, 2008

JACK WAGNER
Auditor General



SHERIFF
PHILADELPHIA COUNTY
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
MARCH 1, 2003 TO AUGUST 31, 2007

Receipts:

Deputy Sheriff's Training and Education Surcharges (Note 2)	\$ 224,581.50
Disbursements to Department of Treasury (Note 3)	<u>(224,581.50)</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 March 1, 2003 to August 31, 2007	<u><u>\$ -</u></u>

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

SHERIFF
PHILADELPHIA COUNTY
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
MARCH 1, 2003 TO AUGUST 31, 2007

1. Criteria

The Statement of Receipts and Disbursements (Statement) has been prepared in accordance with Section 401(e) of *The Fiscal Code*, 72 P.S § 401(e), which requires the Department of the Auditor General to determine whether all money collected on behalf of the Pennsylvania Department of Treasury (Department of Treasury) has been remitted properly.

The Statement was prepared in accordance with reporting requirements prescribed by the 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

Receipts consist of monies collected on behalf of the Department of Treasury. These include monies collected for the following surcharges:

- Deputy Sheriff's Education and Training Surcharges represent a surcharge, ranging from \$2 to \$10 depending upon the year of service, on each fee collected by the sheriff of every county upon acceptance for each service required for any complaint, summons, writ, or other legal paper required to be served or posted by the sheriff.

3. Disbursements

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

4. Balance Due Department Of Treasury (Sheriff's Office) For The Period March 1, 2003 To August 31, 2007

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

5. County Officer Serving During Examination Period

John D. Green served as Sheriff during the period March 1, 2003 to August 31, 2007.

SHERIFF
PHILADELPHIA COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
MARCH 1, 2003 TO AUGUST 31, 2007

Finding No. 1 - Inadequate Internal Control Over Receipts

In performing our examination of the Philadelphia County Sheriff, 40 receipts were tested and we noted the following weaknesses:

- Receipts were not always deposited on the same day as collected. There were 25 receipts that were not deposited on the same day as collected. The time lapse from the date of receipt to the subsequent date of deposit ranged from 2 days to 49 days.
- Official receipts were not always date stamped, which identifies the date of the receipt. There were 23 receipts tested that were not date stamped by the cashier.
- Deposit dates of receipts were not always determinable. There were eight instances in which the date that the receipt was deposited could not be determined because the office did not maintain their receipts and deposit slips in a orderly fashion. Therefore, it could not be determined which receipts comprised the deposit.
- Cash receipt journals are not prepared and reconciled to the accounting records. We noted that the office does not prepare any adequate reconciling report for receipts. The office can generate a “Daily Receipts Journal” report of receipts entered into the computer system but the receipts are not entered into the system by date, therefore the reports do not agree with the bank deposits and cannot be used for reconciliation.

These conditions existed because the office failed to establish adequate internal controls over its receipts.

A good system of internal controls ensures:

- All receipts are deposited intact on the same day as collected.
- All official receipts are date stamped upon issuance.
- All receipts and deposit slips are kept in an orderly fashion.
- An adequate cash receipts journal, which itemizes all collections, is prepared and maintained as supporting documentation for any collections to be disbursed.

SHERIFF
PHILADELPHIA COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
MARCH 1, 2003 TO AUGUST 31, 2007

Finding No. 1 - Inadequate Internal Control Over Receipts (Continued)

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

A similar finding was cited in the prior audit for the period ending February 28, 2003.

Recommendation

We again recommend that the office establish and implement adequate internal control procedures over cash receipts as noted above.

Management's Response

The Director of Finance and Compliance responded as follows:

Our office doesn't accept cash payments for any reason. Every payment is received in the form of a check or money order and deposited by our cashier. The cashier reconciles receipts, forwards deposits to the accountant for review, and bags the deposit for pickup by the armored car service the next day. Due to the very large volume of receipts we allow 3-4 days to reconcile in the event of a discrepancy and all discrepancies are elevated to the accountant. Therefore, checks won't always be deposited on the same day as collected.

Historically, we bundled our receipts with the deposit slip and stored them away in our armory once entered into the system and reconciled against the daily receipt journal. At times we had to research a writ or issue a refund. There were instances where a bundle became dislodged or a receipt was filed away as a refund, which we keep separately. Our current computer system had a function called a daily receipts journal, which allowed our office to track the entering of receipts using dates. However, this report has malfunctioned and is currently inaccessible. Today, the Main Deck division of our office creates a daily listing of receipts with corresponding check numbers and presents two copies to the cashier along with receipts at days end. The cashier signs both copies and keeps a copy. This currently serves as our manual receipt journal, which we use for reconciliation.

SHERIFF
PHILADELPHIA COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
MARCH 1, 2003 TO AUGUST 31, 2007

Finding No. 1 - Inadequate Internal Control Over Receipts (Continued)

Management's Response (Continued)

We are at the final phase of our new personal property system that will reorganize the flow and the cashiering/receipting process. The system will issue a computer generated receipt, which will eliminate the need for current triplicate forms and track deposits electronically. This system will also prepare a daily receipts journal with the date, check number and deposit information. As we do currently, all receipts will be bundled with the receipts journal and the deposit slip for future reference. I remind you all deposits are verified before they are picked up by the armored car service.

Auditor's Conclusion

We appreciate the sheriff's effort to correct these conditions. We strongly recommend that the sheriff take all corrective actions necessary to comply with all our recommendations. The failure to implement the recommended procedures increases the potential for funds to be lost, stolen, or misappropriated.

SHERIFF
 PHILADELPHIA COUNTY
 FINDINGS AND RECOMMENDATIONS
 FOR THE PERIOD
 MARCH 1, 2003 TO AUGUST 31, 2007

Finding No. 2 - Commonwealth's Portion Of Revenue Was Not Always Transmitted Timely

Our examination disclosed that 50 of 99 payments made to the Department of Treasury for the collection of the deputy sheriff's education and training surcharge were not transmitted within the time period required.

The monies collected for the deputy sheriff's education and training surcharge must be submitted semiannually to the State Treasurer for deposit into the Deputy Sheriff's Education and Training Account. The Department of Treasury requires that the semiannual report for the period March 1 to August 31 be postmarked by the 5th working day of September and that the semiannual report for the period September 1 to February 28 be postmarked by the 5th working day of March.

The following schedule identifies those funds which were transmitted late:

<u>Collection Period</u>	<u>Date Payment Due</u>	<u>Check Issuance Date</u>	<u>Amount Due</u>
03/01/2004 to 08/31/2004	09/08/2004	12/08/2004	\$ 500.00
	09/08/2004	12/08/2004	400.00
	09/08/2004	12/08/2004	3,570.00
	09/08/2004	12/08/2004	40.00
	09/08/2004	12/08/2004	2,110.00
	09/08/2004	12/08/2004	270.00
	09/08/2004	12/08/2004	1,690.00
	09/08/2004	12/08/2004	3,340.00
	09/08/2004	12/21/2004	300.00
	09/08/2004	12/22/2004	450.00
	09/08/2004	12/23/2004	616.00
	09/08/2004	12/29/2004	2,720.00
	09/08/2004	01/03/2005	430.00
	09/08/2004	01/03/2005	2,960.00
09/01/2004 to 02/28/2005	03/07/2005	04/13/2005	1,380.00
	03/07/2005	04/13/2005	1,000.00
	03/07/2005	04/13/2005	11,120.50
	03/07/2005	04/13/2005	8,172.00
03/01/2005 to 08/31/2005	09/08/2005	12/08/2005	340.00
	09/08/2005	12/14/2005	440.00
	09/08/2005	12/14/2005	2,180.00
	09/08/2005	12/14/2005	3,190.00

SHERIFF
 PHILADELPHIA COUNTY
 FINDINGS AND RECOMMENDATIONS
 FOR THE PERIOD
 MARCH 1, 2003 TO AUGUST 31, 2007

Finding No. 2 - Commonwealth's Portion Of Revenue Was Not Always Transmitted Timely
(Continued)

<u>Collection Period</u>	<u>Date Payment Due</u>	<u>Check Issuance Date</u>	<u>Amount Due</u>
09/01/2005 to 02/28/2006	03/07/2006	03/13/2006	\$ 5,110.00
	03/07/2006	04/17/2006	270.00
	03/07/2006	04/17/2006	6,460.00
	03/07/2006	04/17/2006	1,130.00
03/01/2006 to 08/31/2006	09/08/2006	09/19/2006	560.00
	09/08/2006	09/19/2006	590.00
	09/08/2006	09/19/2006	470.00
	09/08/2006	09/19/2006	510.00
	09/08/2006	09/19/2006	550.00
	09/08/2006	09/19/2006	490.00
	09/08/2006	09/19/2006	8,130.00
	09/08/2006	09/19/2006	2,950.00
	09/08/2006	09/19/2006	4,760.00
	09/08/2006	09/19/2006	3,360.00
	09/08/2006	09/19/2006	5,490.00
	09/08/2006	09/19/2006	4,870.00
03/01/2007 to 08/31/2007	09/10/2007	09/24/2007	310.00
	09/10/2007	09/24/2007	670.00
	09/10/2007	09/24/2007	310.00
	09/10/2007	09/24/2007	390.00
	09/10/2007	09/24/2007	650.00
	09/10/2007	09/24/2007	290.00
	09/10/2007	09/24/2007	7,890.00
	09/10/2007	09/24/2007	5,940.00
	09/10/2007	09/24/2007	5,650.00
	09/10/2007	09/24/2007	4,580.00
	09/10/2007	09/24/2007	4,710.00
	09/10/2007	09/24/2007	<u>6,170.00</u>
Total			<u>\$130,478.50</u>

The above-noted conditions resulted in the Department of Treasury not receiving Commonwealth monies in a timely manner.

This finding was cited in the prior audit for the period ending February 28, 2003.

SHERIFF
PHILADELPHIA COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
MARCH 1, 2003 TO AUGUST 31, 2007

Finding No. 2 - Commonwealth's Portion Of Revenue Was Not Always Transmitted Timely
(Continued)

Recommendation

We again recommend that the Sheriff transmit the deputy sheriff's education and training surcharge and report as required by the Department of Treasury.

Management's Response

No formal response was offered at this time.

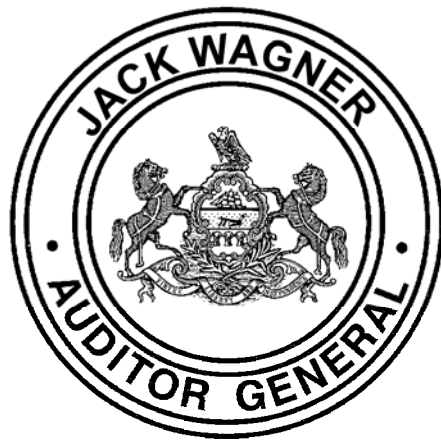
SHERIFF
PHILADELPHIA COUNTY
COMMENT
FOR THE PERIOD
MARCH 1, 2003 TO AUGUST 31, 2007

Comment - Compliance With Prior Audit Recommendation

During our prior audit, we recommended:

- That the office initiate procedures to ensure that all cases are retained and filed for audit review.

During our current examination, we noted that the office complied with our recommendation.



SHERIFF
PHILADELPHIA COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
MARCH 1, 2003 TO AUGUST 31, 2007

This report was initially distributed to:

The Honorable Robin L. Wiessmann
Treasurer
Pennsylvania Department of Treasury
129 Finance Building
Harrisburg, PA 17120-0018

Sheriff
Philadelphia County
Land Title Building
100 South Broad Street, 5th floor
Philadelphia, PA 19110

The Honorable John D. Green

Sheriff

The Honorable Alan Butkovitz

Controller

The Honorable Margaret Tartaglione

Chairperson of the Board of Commissioners

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