



**SHERIFF
PHILADELPHIA COUNTY
EXAMINATION REPORT
FOR THE PERIOD
SEPTEMBER 1, 2007 TO AUGUST 31, 2012**

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Independent Auditor's Report

Ms. Tracy Zeigler
Commonwealth Accountant Manager
Office of Comptroller Operations
Harrisburg, PA 17101

We were engaged to examine the accompanying statement of receipts and disbursements (Statement) of the Sheriff, Philadelphia County, Pennsylvania (County Officer), for the period September 1, 2007 to August 31, 2012, 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.

As discussed in Finding No. 1, poor cash receipt practices prevented the auditors from determining whether or not the County Officer properly recorded, remitted, and reported all monies received and due to the Commonwealth. In addition, as discussed in Finding No. 2, we could not determine a complete population of receipts. We were unable to satisfy ourselves by other examination procedures; therefore, we determined that management's inadequate internal control policies and procedures over receipts and reporting on the Statements restricted the scope of our examination of the Statements.

Because of the restriction on the scope of our examination discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether the Statement referred to above presents, in all material respects, the receipts made on behalf of the Commonwealth for the period September 1, 2007 to August 31, 2012 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 Statements 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. However, the purpose of this examination was not the expression of an opinion on the internal control over reporting on the Statements or on compliance and other matters; accordingly, we express no such opinions.

Independent Auditor's Report (Continued)

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 Officers' 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 Officers' Statements that are more than inconsequential will not be prevented or detected by the County Officers' internal control. We consider the deficiencies described in the findings below to be significant deficiencies in internal control over the reporting on the Statements:

- The Office Could Not Account For \$24,320 In Check Collections.
- Inadequate Internal Controls Over Receipts - Recurring.
- Inadequate Internal Controls Over The Bank Account.

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 Statements will not be prevented or detected by the County Officers' internal control. Our consideration of the internal control over reporting on the Statements 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 all of the significant deficiencies described above to be material weaknesses.

We also noted another matter that, while not required by *Government Auditing Standards* to be reported, has been included in the finding below:

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

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



EUGENE A. DEPASQUALE
Auditor General

May 14, 2013

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SHERIFF
PHILADELPHIA COUNTY
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
SEPTEMBER 1, 2007 TO AUGUST 31, 2012

Receipts:

Deputy Sheriff's Training and Education Surcharges (Note 2)	\$ 230,100
Disbursements to Office of Comptroller Operations (Note 3)	<u>(205,780)</u>
Balance due Office of Comptroller Operations (County) (Note 4)	24,320
Examination adjustments	<u>-</u>
Adjusted balance due Office of Comptroller Operations (County) for the period September 1, 2007 to August 31, 2012	<u><u>\$ 24,320</u></u>

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

SHERIFF
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NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
SEPTEMBER 1, 2007 TO AUGUST 31, 2012

1. Criteria

The Statement of Receipts and Disbursements provides a summary of receipts and disbursements by category. The categories and the amounts of surcharges and fees assessed are based on Pennsylvania laws and regulations.

The Statement was prepared in accordance with reporting requirements prescribed by the Pennsylvania Office of Comptroller Operations. 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 Office of Comptroller Operations. These include monies collected for the following surcharges and fees:

- 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 Office of Comptroller Operations.

4. Balance Due Office Of Comptroller Operations (County) For The Period September 1, 2007 To August 31, 2012

This balance reflects a summary of transmittal reports as settled by the Office of Comptroller Operations.

During our audit, we determined that there was a balance due to the Commonwealth of \$24,320 for collections received from September 1, 2010 through August 31, 2011. Subsequent to our Statement date, on January 25, 2013, the office made a payment of \$25,040 to the Office of Comptroller Operations for collections reported as collected from September 1, 2010 through August 31, 2011. This payment included an overpayment of \$720.

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NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
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5. County Officers Serving During Examination Period

John D. Green served as Sheriff during the period September 1, 2007 to December 31, 2010.

Barbara A. Deeley served as Sheriff during the period January 1, 2011 to January 1, 2012.

Jewell Williams served as Sheriff during the period January 2, 2012 to August 31, 2012.

SHERIFF
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FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
SEPTEMBER 1, 2007 TO AUGUST 31, 2012

Finding No. - The County Office Could Not Account For \$24,320 In Check Collections

Our examination of the office's accounting records disclosed that the office did not obtain validated deposit slips from the bank. We traced actual deposit slips to the bank statement and found 8 deposit slips totaling \$22,982 in checks from February through October 2008 that were not listed on the actual bank statements. The amount of Commonwealth funds included in the 8 deposits totaled \$1,470. Additionally, we found 14 receipts from January and February 2008 totaling \$1,338, which included \$170 in Commonwealth funds, that did not have an associated deposit slip that we could trace to the bank statement. Therefore, we could not determine if the County Officer properly recorded, remitted, and reported all monies received and due to the Commonwealth.

Good internal controls ensure that the office copy of each deposit slip should be brought to the bank to be validated. Each deposit slip should only include that day's receipts. In addition, all deposit slips should be retained and verified with the bank statement in order to provide an adequate audit trail on the timely deposit of all receipts.

Without a good system of internal controls over funds received by the office, the possibility of funds being lost or misappropriated increases significantly.

These conditions existed because the office failed to establish adequate internal controls over its receipts as discussed in Finding No. 2.

Recommendation

The office must establish and implement an adequate accountability over funds collected in order to minimize the possibility of loss or theft of funds.

Management's Response

The Under [Deputy] Sheriff responded as follows:

The Sheriff's Office accepts the findings of the Auditor General. Since 2011, the Sheriff's Office has been in transition both with personnel and technology. As of this writing, the Sheriff's Office has contracted with a software firm that will address the issues raised by this audit. The implementation of this system should be by the end of calendar year 2013.

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FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
SEPTEMBER 1, 2007 TO AUGUST 31, 2012

Finding No. 1 - The County Office Could Not Account For \$24,320 In Check Collections
(Continued)

Auditor's Conclusion

The corrective action included in the office's response isn't specifically responsive to the condition, cause, and recommendation included in this finding. During our next examination, we will determine if the office complied with our recommendation by, in part, evaluating the impact of the new system on the content of this finding. We strongly recommend that the office take all corrective actions necessary to comply with our recommendation. The risk of lost or misappropriated funds continues to exist as long as these deficiencies exist.

SHERIFF
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FINDINGS AND RECOMMENDATIONS
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SEPTEMBER 1, 2007 TO AUGUST 31, 2012

Finding No. 2 - Inadequate Internal Controls Over Receipts - Recurring

We cited the issue of receipts not being deposited timely in the two prior examinations, with the most recent for the period ending August 31, 2007. However, our current examination found that the office once again did not correct this issue.

Our examination revealed that the Sheriff's office used pre-numbered receipts to document the initial receipt of payments made to the office. These receipts included pre-printed fees as well as a blank area where other fees and the total due was hand written on the receipts. The office only accepted checks or money orders for services; no cash was accepted. The receipt was not valid until the customer delivered the receipt and payment to the cashier. The cashier hand stamped each copy of the three part receipt which validated the payment received. One copy was given to the customer during the initial receipt of funds, the second copy was filed with the applicable case, and the third copy with the associated payment was transferred from the cashier to the accounting department. The accounting department was responsible for entering the receipts in the office computer system, preparing the bank deposits, and maintaining accounting records.

Our examination of the accounting records for the office disclosed the following deficiencies in the internal controls over receipts:

- Receipts were not always deposited on the same day as collected. Of 46 receipts originally tested, 34 were not deposited on the same day as collected. We expanded our receipts testing to include 25 months of receipts. We found that multiple receipt dates ranging from two to ten different days were combined in a single deposit.
- Our review of deposit slips found that individual deposit slips included receipts dated anywhere from 44 days BEFORE the deposit slip date to 7 days AFTER the deposit slip date. In addition, we found that the time lapse from the date on the deposit slip to the subsequent date of the actual deposit ranged from 2 days to 16 days.
- Hand written receipts were not issued in numerical sequence. We tested 11 months of receipts and found that none of the receipts were issued in numerical sequence. Consequently, a population of receipts could not be determined, nor could we determine if receipts were missing.

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Finding No. 2 - Inadequate Internal Controls Over Receipts - Recurring (Continued)

- The office did not provide us with a log of manual receipts even though the office staff stated that they maintained a log of receipts. We made numerous requests in an attempt to obtain this information.
- We could not trace all manual receipt numbers to the computer generated receipt numbers. In addition, we found that the monthly manual receipt totals did not match the corresponding monthly computer generated receipt totals. The discrepancies in any given month ranged from \$10 to \$4,146 to over reporting of \$10 to \$760.

Good internal accounting controls ensure that:

- All monies are deposited intact at the bank on the same day as collected.
- All receipts are issued in numerical sequence.
- A receipts log is maintained to document which office employees have possession of the numerical sequence of receipts in their possession. This will provide an audit trail on the issuance of the manual receipt.
- All manual receipts and the data associated with these receipts should be entered into the computer system.
- The totals derived from the manual receipts should equal the computerized receipt totals for a given month.

Without a good system of internal controls over funds received by the office, the possibility of funds being lost or misappropriated increases significantly.

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FINDINGS AND RECOMMENDATIONS
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Finding No. 2 - Inadequate Internal Controls Over Receipts - Recurring (Continued)

These conditions existed because the office ignored our two prior recommendations and failed to establish adequate internal controls over its receipts.

Recommendation

We again strongly recommend that the office establish and implement an adequate system of internal controls over the receipting system as noted above. It is imperative that the office maintain adequate control over receipts in order to minimize the possibility of loss or theft of funds. The office's failure to maintain adequate control over receipts increases the possibility of loss or theft of funds.

Management's Response

The Under [Deputy] Sheriff responded as follows:

The Sheriff's Office accepts the findings of the Auditor General. Since 2011, the Sheriff's Office has been in transition both with personnel and technology. As of this writing, the Sheriff's Office has contracted with a software firm that will address the issues raised by this audit. The implementation of this system should be by the end of calendar year 2013.

Auditor's Conclusion

The corrective action included in the office's response isn't specifically responsive to the condition, cause, and recommendation included in this finding. During our next examination, we will determine if the office complied with our recommendation by, in part, evaluating the impact of the new system on the content of this finding. We strongly recommend that the office take all corrective actions necessary to comply with our recommendation. The risk of lost or misappropriated funds continues to exist as long as these deficiencies exist.

SHERIFF
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Finding No. 3 - Inadequate Internal Controls Over The Bank Account

Our examination of the accounting records for the office disclosed the following deficiencies in the internal controls over the bank account:

- Monthly bank reconciliations were not prepared.
- There was no accountability over undisbursed funds. The office did not maintain a schedule of cash liabilities. Therefore, we could not determine if the office had adequate accountability over undisbursed funds.

A good system of internal controls ensures that:

- Bank statements are properly reconciled to the book balance on a monthly basis and any discrepancies are immediately investigated and resolved.
- The ending cash 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 funds on hand should equal unpaid obligations.

Without a good system of internal controls over the bank account, the possibility of funds being lost or misappropriated increases significantly.

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

Recommendation

We recommend that the office establish and implement an adequate system of internal controls over the bank account as noted above.

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Finding No. 3 - Inadequate Internal Controls Over The Bank Account (Continued)

Management's Response

The Under [Deputy] Sheriff responded as follows:

The Sheriff's Office accepts the findings of the Auditor General. Since 2011, the Sheriff's Office has been in transition both with personnel and technology. As of this writing, the Sheriff's Office has contracted with a software firm that will address the issues raised by this audit. The implementation of this system should be by the end of calendar year 2013.

Auditor's Conclusion

The corrective action included in the office's response isn't specifically responsive to the condition, cause, and recommendation included in this finding. During our next examination, we will determine if the office complied with our recommendation by, in part, evaluating the impact of the new system on the content of this finding. We strongly recommend that the office take all corrective actions necessary to comply with our recommendation. The risk of lost or misappropriated funds continues to exist as long as these deficiencies exist.

SHERIFF
 PHILADELPHIA COUNTY
 FINDINGS AND RECOMMENDATIONS
 FOR THE PERIOD
 SEPTEMBER 1, 2007 TO AUGUST 31, 2012

Finding No. 4 - Commonwealth's Portion Of Revenue Was Not Always Transmitted Timely -
 Recurring

We cited the issue of the Commonwealth's portion of revenue not being transmitted timely in the two prior examinations, with the most recent for the period ending August 31, 2007. However, our current examination found that the office once again did not correct this issue.

Once again, our examination disclosed that 7 of 19 payments made to the Office of Comptroller Operations for the collection of the deputy sheriff's education and training surcharge were not transmitted within the time period required. The time lapse from the due date to the date received ranged from 58 days to 690 days.

The Commonwealth's portion must be submitted semiannually to the Pennsylvania Office of Comptroller Operations for deposit into the Deputy Sheriff's Education and Training Account. The Pennsylvania Office of Comptroller Operations 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 that were transmitted late:

<u>Collection Period</u>	<u>Payment Due Date</u>	<u>Check issuance Date</u>	<u>Amount</u>
09/01/10-02/28/11	03/07/11	01/25/13	\$ 9,790
09/01/10-02/28/11	03/07/11	01/25/13	2,280
03/01/11-08/31/11	09/08/11	01/25/13	11,780
03/01/11-08/31/11	09/08/11	01/25/13	1,190
09/01/11-02/29/12	03/07/12	07/06/12	20,400
03/01/12-08/31/12	09/10/12	11/07/12	17,460
03/01/12-08/31/12	09/10/12	11/19/12	<u>5,590</u>
Total			<u>\$68,490</u>

The above noted conditions resulted in the Office of Comptroller Operations not receiving Commonwealth monies in a timely manner.

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Finding No. 4 - Commonwealth's Portion Of Revenue Was Not Always Transmitted Timely -
Recurring (Continued)

This condition existed because the office ignored our two prior recommendations and failed to submit the Commonwealth's portion semiannually to the Pennsylvania Office of Comptroller Operations.

Recommendation

We again strongly recommend that the Sheriff transmit the Commonwealth's portion of revenue as required the Pennsylvania Office of Comptroller Operations.

Management's Response

The Under [Deputy] Sheriff responded as follows:

The Sheriff's Office accepts the findings of the Auditor General. Since 2011, the Sheriff's Office has been in transition both with personnel and technology. As of this writing, the Sheriff's Office has contracted with a software firm that will address the issues raised by this audit. The implementation of this system should be by the end of calendar year 2013.

Auditor's Conclusion

The corrective action included in the office's response isn't specifically responsive to the condition, cause, and recommendation included in this finding. During our next examination, we will determine if the office complied with our recommendation by, in part, evaluating the impact of the new system on the content of this finding. We strongly recommend that the office take all corrective actions necessary to comply with our recommendation. The risk of lost or misappropriated funds continues to exist as long as these deficiencies exist.

SHERIFF
PHILADELPHIA COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
SEPTEMBER 1, 2007 TO AUGUST 31, 2012

This report was initially distributed to:

Ms. Tracy Zeigler
Commonwealth Accountant Manager
Office of Comptroller Operations
Accounts Receivable

Mr. Derin Myers
Director
Office of Financial Management and Administration
Pennsylvania Commission on Crime and Delinquency

The Honorable Jewell Williams	Sheriff
The Honorable Darrrell L. Clarke	President of City Council
The Honorable Alan Butkovitz	Controller

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