



County of Chester  
Office of the Controller  
Internal Audit Department

Management Letter  
For the Year Ended  
December 31, 2019

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County of Chester  
Office of the Sheriff

Management Letter

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Margaret Reif, Controller

**Office of the Sheriff - Executive Summary**

Are there any MAJOR issues that require management's immediate action and/or attention? **Yes**  
(Sufficient controls are not in place to address the associated risk.)

Are there any LESSER SIGNIFICANT issues that require management's action and/or attention? **No**  
(Process is not critical to the overall operation.)

Are there any MINOR issues that do not require management's action and/or attention? **Yes**  
(Sufficient controls are in place and issue is strictly a result of human error and oversight.)

Recap of Findings Identified	
1	Major Findings
0	Lesser Significant Findings
4	Minor Findings

*Margaret Reif*

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Margaret Reif, Controller

## Introduction

On December 21, 2020, Internal Audit completed an audit of the Office of the Sheriff (*Sheriff*) for the years ended December 31, 2019. Christian J. Kriza 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 the audit included a review of the following:

- Cash and Petty Cash
- Due From
- Due To
- Cash Receipts
- Manual Receipts
- Cash Disbursements
- Voided Transactions
- Escheats/Unclaimed Property
- Weapons Inventory
- Imprest Fund

We conducted our audit in accordance with generally accepted auditing standards and standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. We have also issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters concurrent with this Management Letter. Disclosures and other information in that Report (also dated December 21, 2020) should be considered in conjunction with this Management Letter (*Letter*).

## Summary

During our audit, we became aware of several findings and matters that represent opportunities for strengthening internal controls and operating efficiency. The Schedule of Findings (The Schedule) on Page 3 of this *Letter* summarizes our comments and recommendations concerning those matters.

We will transmit a final copy of this *Letter* and the audit report to you electronically once you provide your responses to each finding documented in the Schedule.

We will review the status of these comments during our next audit engagement. We have already discussed these findings and recommendations with various *Sheriff* personnel and will be pleased to discuss them in further detail at your convenience.

## Methodology

Internal Audit interviewed key personnel, observed operations, reviewed written policies, procedures, system reports and source documents, and tested specific transaction activity where applicable.

**Cash** is reconciled and reviewed at 100%.

**Petty Cash** is counted during the course of the on-site fieldwork. Outstanding vouchers are reviewed.

**Accounts Receivable** are reconciled and reviewed at 100%.

**Liabilities** are reconciled and reviewed at 100%.

**Cash receipts** are tested on a sample basis. The sample size tested for the year ended 12/31/19 was 30 out of a population of 24,210 receipts generated in 2019.

**Material receipts** are tested on a sample basis. The sample size tested for the year ended 12/31/19 was 10 out of a population of 96 material receipts in 2019.

**Manual receipts** there were no manual receipts used in 2019.

**Cash disbursements** are tested on a sample basis. The sample size tested for the year ended 12/31/19 was as follows:

- 30 Operating Account disbursements out of a population of 9,578 checks created in 2019.
- 1 Surcharge Account disbursements out of a population of 2 checks created in 2019.

**Material disbursements** are tested on a sample basis. The sample size tested for the year ended 12/31/19 was 10 out of a population of 101 checks created in 2019.

**Voided receipts** are tested on a sample basis. The sample size tested for the year ended 12/31/19 was 30 out of a population of 352 receipts voided in 2019.

**Voided disbursements** are tested on a sample basis. The sample size tested for the year ended 12/31/19 was 30 out of a population of 322 receipts voided in 2019.

**Escheats** are tested on a sample basis. The sample size tested for the year ended 12/31/19 was 7 out of a population of 72 unclaimed property transactions.

**Weapons Inventory** are tested on a sample basis specifically to ensure that processing of these transactions occurs in a timely manner. The sample size tested for the year ended 12/31/19 was as follows:

- 30 items out of a population of 335 that were returned/destroyed in 2019.
- 27 items out of a population of 266 that were confiscated in 2019.
- 30 items out of a population of 848 that were confiscated in prior years that remain held in possession in 2019.

**Imprest Fund** are tested on a sample basis. The sample size tested for the year ended 12/31/19 was 4 out of a population of 21 imprest entries.

## Schedule of Findings

### **Finding 1: Planning/Cash/Financials**

**Rating: Major**

#### **Condition**

There is no independent review of bank reconciliations, monthly financial reports, and banking records.

#### **Criteria**

The purpose of segregating duties is to reduce excessive control over a process by one individual thus reducing the risk of error, fraud or theft.

#### **Cause**

The small size of the fiscal and managerial staff prevents segregation of duties found in larger organizations. The staff size, in addition to prior management's limited governance and oversight over accounting functions contributed to the condition.

#### **Effect or Potential Effect**

Insufficient segregation of duties controls can increase risk of error, fraud, or theft.

#### **Recommendation**

Internal Audit recommends the Sheriff's Office identify, assess, implement and monitor independent checks and balances in high risk or sensitive processes that may lack proper segregation of duties. Where applicable, management should also implement and maintain new procedures to address segregation of duties as they relate to the accounting and bookkeeping functions.

#### **Auditee Response**

*Sheriff Management concurs with the audit finding and recommendation.*

### **Finding 2: Interest**

**Rating: Minor**

#### **Condition**

Annual interest received for the General Operating and Surcharge bank accounts was not transferred to the County in a timely manner. Interest should have been transferred in January 2020 but was transferred in October 2020 after it was brought to the attention of the Office during the audit.

#### **Criteria**

Annual interest received by the Office in the prior fiscal year should be transferred to the County in January following the fiscal year-end.

**Cause**

Lack of adequately documented processes or a checklist to ensure required accounting functions are performed timely.

**Effect or Potential Effect**

Delay in the proper and timely payment of funds due to the County can result in overstated account balances within the Sheriff's Office and prevent the County from utilizing those funds in an efficient manner.

**Recommendation**

Internal Audit recommends the Sheriff's Office review, assess and implement processes, such as a task checklist with sign-offs, to ensure personnel make required payments in a timely manner.

**Auditee Response**

*Sheriff Management concurs with the audit finding and recommendation.*

**Finding 3: Cash Receipts**

**Rating: Minor**

**Condition**

In five (5) instances, daily deposits were not submitted into the Office's bank within one business day. The excess number of days these deposits were held ranged from one to four days.

**Criteria**

Daily deposits should be submitted to the bank within one business day.

**Cause**

The lack of documented processes to ensure required accounting functions are performed timely.

**Effect or Potential Effect**

The untimely submission of bank deposits can result in risk of deposit item loss and recording failure, which could lead to reconciliation delays and problems, inaccurate accounting records, payment complaints from external parties, and other corrective actions.

**Recommendation**

Internal Audit recommends the Sheriff's Office review, assess and update its processes to ensure daily deposits are submitted to the bank in a timely manner.

### **Auditee Response**

*Sheriff Management concurs with the audit finding and recommendation.*

### **Finding 4: Voided Disbursements**

**Rating: Minor**

#### **Condition**

In two (2) instances, voided checks did not have the signature line defaced or removed. In addition, one (1) of the two checks did not have any notation that the check was void at all.

#### **Criteria**

When checks are voided, the check copy and original (if available) should be labeled void and have the signature line defaced or removed.

#### **Cause**

Inconsistent performance of check voids due to the lack of documented processes to ensure required accounting functions are performed accurately and completely.

#### **Effect or Potential Effect**

Not performing required accounting functions can result in improper reconciliations and inaccurate accounting records.

#### **Recommendation**

Internal Audit recommends the Sheriff's Office review, assess and update its processes to ensure check voids are performed accurately and completely.

### **Auditee Response**

*Sheriff Management concurs with the audit finding and recommendation.*

### **Finding 5: Escheats**

**Rating: Minor**

#### **Condition**

In two (2) instances, there was no physical or CourtView documentation to demonstrate due diligence was performed on an escheated check.

#### **Criteria**

Due diligence should be performed in accordance with the guidelines set forth by the Pennsylvania Department of Treasury.

**Cause**

Lack of adequately documented processes to ensure required accounting functions are performed timely.

**Effect or Potential Effect**

Not performing required accounting functions can delay proper reconciliation and accuracy of the accounting records.

**Recommendation**

Internal Audit recommends the Sheriff's Office review, assess and update its processes to ensure required accounting functions are performed in a timely manner.

**Auditee Response**

*Sheriff Management concurs with the audit finding and recommendation.*