



New Castle County Auditor's Office **Audit of Sheriff's Office** **Executive Summary**

Background

The Sheriff's Office (the "Office") executes the service process of court-approved documents to named defendants and other parties, as well as the auction of real estate and personal/business property that has been foreclosed upon due to the non-payment of a mortgage, debt, or various local government taxes/liens. Additionally, the staff coordinates the completion of court-ordered wage attachments and evictions.

The efforts of the Sheriff's Office generated approximately \$7 million in gross revenue for NCC in Fiscal Year (FY) 2011. This is a substantial increase from FY 2010 revenues of approximately \$5.2 million. The largest contributor to the Office's revenue is the commissions generated from Sheriff's Sales of real property; these were approximately \$5.8 million in FY 2011. The Office conducts these sales monthly and, in FY 2011, facilitated the sale of approximately \$157 million (in winning bids) of foreclosed real estate, an average of approximately \$13 million each month.

At the request of the NCC Sheriff (who was elected in November 2010 and took office in January 2011), the County Auditor's Office performed a comprehensive audit of internal controls over the activities of the Sheriff's Office. We spent several months working in the Sheriff's Office and had the chance to interact with management and staff. We believe everyone is hard-working and dedicated. We believe that the new Administration is setting the proper tone for the entire office by setting a good example as far as work ethic, good communication, and an emphasis on training and continual improvement.

Distribution of Funds in Version 3 Checking Account

When we performed our 2007 audit of Sheriff's Sales, the Sheriff's Office had two accounts relating to Sheriff's Sale proceeds -- one account to handle Sheriff's Sale transactions in July 2005 and forward (the "Version 3" account) and one account which handled Sheriff's Sale transactions prior to July 2005 (the "legacy" account). The resolution of the funds in the legacy account occurred in 2007. The resolution of the funds in the Version 3 account occurred in January of this year, with a check of approximately \$420,000 being issued to the County. We concurred with the reasoning of the Sheriff's Office in identifying the funds that belonged to the County.

Material Issues

The following are issues which we deem to be material:

- Control Concern: There is currently little review of the work performed by the staff members involved in the Sheriff's Sale process. The processing of Sheriff's Sales is a complicated process, with each case having its own unique circumstances. This, coupled with the fact that the volume of Sheriff's Sales has significantly increased because of the economy, increases the chances that errors and/or omissions may be made.
 - Management's Corrective Action: Management has implemented a corrective control whereby a contracted CPA will review a sample of Sheriff's Sales each month to ensure the sale was handled in accordance with formal policies and procedures.
- Control Concern: The configuration of the Sheriff's Office is such that court documents, and other sensitive documents such as checks, can easily be accessed by unauthorized individuals.

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- Management's Corrective Action: Management has implemented a policy requiring employees to place checks in a locked file drawer when they are away from their work station. A purchase order has been created to go forward with the structural modifications to enhance the physical security of the office.

Significant Issues

The following are issues which we deem to be significant:

- Control Concern: The Office does not have a formal Policies and Procedures Manual governing the various aspects of the Office. This has, at times, resulted in inconsistencies in the processing of transactions.
 - Management's Corrective Action: Management has engaged a contractual CPA to assist the Office in the creation of written policies and procedures for each work station responsible for accounts.
- Control Concern: The Office has not defined key aspects of its processes which require a supervisory review. Existing supervisory reviews appear non-routine.
 - Management's Corrective Action: The Office will work with its contractual CPA on identifying specific reports to be reviewed as well as the scope and frequency of such reviews.
- Control Concern: Our testing revealed a couple of foreclosed properties that had not been properly advertised for Sheriff's Sale, as well as one property for which the Sheriff's Office had not yet complied with a court order.
 - Management's Corrective Action: Management has enhanced the internal controls over placing advertisements. Also, the contractual CPA, in her monthly review of a sample of Sheriff's Sales, will be looking for anomalies which may require additional controls.
- Control Concern: The Sheriff's Office has not obtained sufficient information from the software vendor (SoftCode) to enable it to obtain assurance on the adequacy of the internal controls within and surrounding the CivilServe System.
 - Management's Corrective Action: Management will contact the software vendor and ask for documentation that the software has been tested for internal controls and accuracy as it relates to its ability to extract the proper data elements from its tables, and to create reliably accurate management and operational reports.
- Control Concern: The Sheriff's Office has not executed a written contract with SoftCode for CivilServe Version 4.
 - Management's Corrective Action: Management, in conjunction with the IS Division, will pursue obtaining a written contract with SoftCode for CivilServe Version 4.

Other Reportable Items

The full report contains several other Reportable Items, or further opportunities for improvements in internal control.

Separate Memorandum to Superior Court of Delaware

In analyzing the court writs the Sheriff's Office receives from Superior Court, we identified certain issues which fall under the purview of the Superior Court and we believe should be addressed by them. Therefore, we are issuing a separate memorandum to the Chief Justice of the Superior Court and to the Prothonotary's Office (the administrative arm of the Superior Court).

The Sheriff's Office does not have any control over the format and accuracy of the Court writs. However, we believe the lack of standardization of such writs increases the risk that amounts paid from Sheriff's Sale proceeds could be incorrect. The liability most likely would be on the Superior Court, as the Sheriff's Office must assume that the court documents are correct in that they are sworn to by an officer of the Court.