SHERIFF/PROTHONOTARY

NORTHAMPTON COUNTY

EXAMINATION REPORT

FOR THE PERIOD

DECEMBER 16, 2009 TO FEBRUARY 29, 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

Mr. Dan Petruno
Commonwealth Accountant III
Office of Comptroller Operations
Harrisburg, PA 17101

We have examined the accompanying statement of receipts and disbursements (Statement) of the Sheriff/Prothonotary, Northampton County, Pennsylvania (County Officer), for the period December 16, 2009 to February 29, 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. 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*.

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 Office of Comptroller Operations for the period December 16, 2009 to February 29, 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 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 deficiencies described in the findings below to be significant deficienies in internal control over reporting on the Statement:

- Bank Deposit Slips Were Not Validated - Prothonotary.

- Inadequate Internal Controls Over Receipts - Prothonotary.

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 all of the significant deficiencies described above to be material weaknesses.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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.

December 4, 2013

EUGENE A. DEPASQUALE
Auditor General

CONTENTS

Page

Financial Section:

Statement Of Receipts And Disbursements 1

Notes To The Statement Of Receipts And Disbursements 2

Findings and Recommendations:

Finding No. 1 - Bank Deposit Slips Were Not Validated - Prothonotary 4

Finding No. 2 - Inadequate Internal Controls Over Receipts - Prothonotary 6

Report Distribution 8

SHERIFF/PROTHONOTARY
NORTHAMPTON COUNTY
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
DECEMBER 16, 2009 TO FEBRUARY 29, 2012

Receipts:	
Deputy Sheriff's Training and Education Surcharges	$372,682.00
Firearms License to Carry Modernization Account Fees	$22,495.00
Firearms License Validation System Account Fees	$6,965.00
Total Receipts (Note 2)	402,142.00
Disbursements to Office of Comptroller Operations (Note 3)	($402,142.00)
Balance due Office of Comptroller Operations (County) (Note 4)	-
Examination adjustments	-
Adjusted balance due Office of Comptroller Operations (County) for the period December 16, 2009 to February 29, 2012	$ -

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

SHERIFF/PROTHONOTARY
NORTHAMPTON COUNTY
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
DECEMBER 16, 2009 TO FEBRUARY 29, 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.

- Firearms License to Carry Modernization Account Fees represent a $5 fee imposed for applying for a license to carry a firearm for the period May 9, 2006 through May 10, 2011.

- Firearms License Validation System Account Fees represent a $1 fee imposed for applying for a license to carry a firearm.

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 December 16, 2009 To February 29, 2012

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

5. Prior Examination Period Balance Due

We noted that there was a prior examination balance due the Commonwealth of $6,150 which was not paid as of the end of our current examination period.

6. County Officer Serving During Examination Period

Randall Miller served as Sheriff during the period December 16, 2009 to February 29, 2012.

Finding No. 1 - Bank Deposit Slips Were Not Validated - Prothonotary

The Northampton County Prothonotary is responsible for the collection, recording, depositing and remittance of the surcharge fees assessed by the Sheriff's office.

Our examination of the Prothonotary's Office accounting records disclosed that the office copy of the bank deposit slip was not validated by the bank in all 21 deposits tested. The office received a validated receipt from the bank, but this only confirmed the total amount deposited and not the actual make up of the deposit (i.e. cash and check mix).

Good internal accounting controls require that the amount of each check and the total amount of cash deposited are identified on the deposit slip. The office copy of each deposit should be brought to the bank to be validated. If the bank cannot validate the deposit slip, the office should obtain a deposit ticket from the bank that validates total cash and the total deposit. After the office receives the validation from the bank, it should be reconciled to the receipts by someone other than the person preparing or making the deposit.

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

The office was not aware of the potential internal control weaknesses caused by not having a validated deposit slip. The policy of the bank is only to verbally notify depositors of cash and check mix discrepancies.

Recommendations

We recommend that the office obtain a validation form the bank as to the mix of cash and checks deposited. We further recommend that the validation is reconciled to receipts by someone other than the person preparing or making the deposit.

Finding No. 1 - Bank Deposit Slips Were Not Validated - Prothonotary (Continued)

Management's Response

The County Officer responded as follows:

> The bank's procedure is to return a single line receipt with a total deposit. To correct this issue, the Prothonotary's Office – Sheriff's Division now uses triplicate deposit slips showing the breakdown of cash and checks which the bank is required to acknowledge and return.

Auditor's Conclusion

We will determine if the office complied with our recommendations during our next scheduled examination.

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

The Northampton County Prothonotary is responsible for the collection, recording and remittance of the surcharge fees assessed by the Sheriff's office.

Our examination of the accounting records for the office disclosed that the office gives cash change for services paid by checks.

The office contracted with a computer software vendor for a computer software program for receipts. Our examination disclosed the following deficiencies in the internal control over receipts generated by the office's computer software program:

- The office's computer software program would only use a limited range of receipt numbers between 1,000 to 3,000. The computer software would start generating receipts at number 1,000. Once the software issued receipt number 3,000, the software would then revert back to receipt number 1,000 again.

- The computer software program could not assign certain receipt numbers. The system would generate an error message and use the next available receipt number.

- The computer software program could not reprint individual receipt numbers in order to verify missing paper receipt issues.

- The computer program could not generate daily receipt reports to account for every receipt issued for that day.

- The computer system vendor only retains 13 months of receipt data.

A good system of internal controls ensures that:

- cash change should not be given for transactions paid for by check(s). If the amount collected exceeds the amount due, a refund check should be disbursed to the remitter.

- the range of numbers used for receipts is not limited to a certain range.

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

- the computer software program cannot skip over receipt numbers and all receipts should be issued in numerical sequence.

- the office can account for every receipt number within the range issued for a given business day.

- all receipts are properly accounted for and maintained. All receipt records should be retained until audited by the Auditor General's Department.

Without a good system of internal controls over receipts 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.

Recommendation

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

Management's Response

The County Officer responded as follows:

> There have been several flaws with the cashiering software which causes receipt numbers to be skipped. The Prothonotary's Office – Sheriff's Divison does have adequate segregation of duties and proper internal controls, however, the office agrees with the findings of the audit. Due to the number of issues with the software and the inability of the vendor to make the necessary modifications, the Prothonotary's Office – Sheriff's Division has begun searching for a new vendor.

Auditor's Conclusion

We will determine if the office complied with our recommendation during our next scheduled examination.

SHERIFF/PROTHONOTARY
NORTHAMPTON COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
DECEMBER 16, 2009 TO FEBRUARY 29, 2012

This report was initially distributed to:

Mr. Dan Petruno
Commonwealth Accountant III
Office of Comptroller Operations
Accounts Receivable

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

The Honorable Chris Ziegler	Sheriff
The Honorable John Cusick	President Of The County Council
The Honorable Stephen Barron	Controller
The Honorable Holly Ruggiero	Prothonotary

This report is a matter of public record and is available online at http://www.auditorgen.state.pa.us. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.