

ATTESTATION ENGAGEMENT

SHERIFF

Luzerne County, Pennsylvania
For the Period
March 1, 2008 to February 28, 2013

January 2015



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Independent Auditor's Report

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

We were engaged to examine the accompanying statement of receipts and disbursements (Statement) of the Sheriff, Luzerne County, Pennsylvania (County Officer), for the period March 1, 2008 to February 28, 2013, pursuant to the requirements of Section 401(e) of *The Fiscal Code*, 72 P.S. § 401(e). The county office's management is responsible for this Statement.

As discussed in Finding No. 1, collections recorded in the office's computer system did not always agree to the bank deposit. In addition, as discussed in Finding No. 4, the Commonwealth's portion of revenue was remitted untimely or not at all. The office's collection records did not always match its semi-annual reports that it submitted to the Commonwealth. These deficiencies prevented the auditors from determining whether or not the County Officer properly recorded, remitted, and reported all monies received and due the Commonwealth. We were unable to satisfy our objectives 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 as to whether the Statement referred to above presents, in all material respects, the receipts made on behalf of the Commonwealth for the period March 1, 2008 to February 28, 2013 in conformity with the criteria set forth in Note 1.

Independent Auditor's Report (Continued)

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Statement; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements; and abuse that has a material effect on the Statement. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. 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 internal control over reporting on the Statement or on compliance and other matters; accordingly, we express no such opinions.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies listed below to be material weaknesses.

- Inadequate Internal Controls Over Receipts - Recurring.
- Inadequate Internal Controls Over The Bank Account - Recurring.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies listed below to be significant deficiencies.

- Inadequate Outstanding Check Procedures.
- Commonwealth's Portion Of Revenue Was Not Transmitted Timely - Recurring.

Independent Auditor's Report (Continued)

As part of obtaining reasonable assurance about whether the Statement is free from material misstatement, we performed tests of the County Office's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of Statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We are concerned in light of the County Office's failure to correct previously reported findings regarding the inadequate internal controls over receipts, the inadequate internal controls over the bank account, and the Commonwealth's portion of revenue not being transmitted timely. During our current examination, we noted that there were inadequate internal controls over receipts, inadequate internal controls over the bank account, inadequate outstanding check procedures, and the Commonwealth's portion of revenue was not transmitted in a timely manner. The County Office should strive to implement the recommendations and corrective actions noted in this report. The office's failure to maintain adequate controls over receipts and the bank account along with the inadequate outstanding check procedures and the office's failure to remit revenue timely creates an environment conducive to fraud.

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.

We appreciate the courtesy extended by the Sheriff's Office, Luzerne County, to us during the course of our examination. If you have any questions, please feel free to contact Michael B. Kashishian, CPA, CGAP, CFE, Director, Bureau of County Audits, at 717-787-1363.



Eugene A. DePasquale
Auditor General

October 28, 2014

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SHERIFF
 LUZERNE COUNTY
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 MARCH 1, 2008 TO FERUARY 28, 2013

Receipts:

Deputy Sheriff's Training and Education Surcharges	\$	794,832
Firearms License to Carry Modernization Account Fees		58,910
Firearms License Validation System Account Fees		<u>23,987</u>
Total Receipts (Note 2)		877,729
Disbursements to Office of Comptroller Operations (Note 3)		<u>(799,900)</u>
Balance due Office of Comptroller Operations (County) (Note 4)		77,829
Examination adjustments		<u>-</u>
Adjusted balance due Office of Comptroller Operations (County) for the period March 1, 2008 to February 28, 2013	\$	<u><u>77,829</u></u>

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

SHERIFF
LUZERNE COUNTY
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
MARCH 1, 2008 TO FERUARY 28, 2013

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.

SHERIFF
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NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
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4. Balance Due Office Of Comptroller Operations (County) For The Period March 1, 2008 To February 28, 2013

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 \$77,829 for collections received from March 1, 2011 through August 31, 2011. These collections were not remitted to the Commonwealth as of the end of our examination period.

5. Prior Examination Period Balance Due

We noted that there was a prior examination balance due the Commonwealth of \$1,900 which was not paid as of the end of our current examination period.

6. County Officers Serving During Examination Period

Michael A. Savokinas served as Sheriff during the period March 1, 2008 to September 1, 2009.

Charles J. Guarnieri served as Sheriff during the period September 2, 2009 to June 9, 2010.

John F. Gilligan served as Sheriff during the period June 10, 2010 to March 2, 2012.

John F. Robshaw served as Sheriff during the period March 3, 2012 to February 28, 2013.

SHERIFF
LUZERNE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
MARCH 1, 2008 TO FERUARY 28, 2013

Finding No. 1 - Inadequate Internal Controls Over Receipts - Recurring

We cited the office for inadequate internal controls over receipts in the two prior examination reports with the most recent for the period September 1, 2004 to February 29, 2008. However, our current examination found that the office did not correct this issue.

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

- Collections were not always deposited on the same day as collected. Of 43 deposits tested, 22 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 19 days.
- Collections recorded in the office's computer system did not agree with the deposit slip. Of 43 deposits tested, 16 had total collections that did not agree with the bank deposit slip. We noted that 12 of those 16 deposits exceeded the total collections recorded in the office's computer system by \$54 to \$1,597. For the remaining four deposits, we found that the amount deposited was \$103 to \$369 less than the amount of collections as recorded in the office's computer system.

Because of these deficiencies, we could not determine if the County Officer properly recorded, remitted, and reported all monies received and due to the Commonwealth. Also, these deficiencies create an environment that is conducive to fraud. (See Findings 2, 3, and 4).

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

A good system of internal controls ensures that:

- All monies collected are deposited intact at the bank on the same day as collected.
- All receipts are properly recorded, deposited, and in agreement with daily report totals. Any discrepancies should be immediately investigated and resolved.

SHERIFF
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FINDINGS AND RECOMMENDATIONS
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MARCH 1, 2008 TO FERUARY 28, 2013

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

Recommendation

We strongly recommend that the office establish and implement an adequate system of internal controls over receipts 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 creates an environment conducive to fraud.

Management's Response

The County Officer responded as follows:

I, Brian M. Szumski, have been acting as Sheriff since September 9, 2013 so I am unable to make a response as to how to control over receipts was handled during the period which was examined. Since acting as Sheriff I have instituted the following procedures:

- All monies received are entered into the accounting system the same day as they are received.
- All monies from transactions are deposited the morning following their receipt. No monies are deposited if discrepancies exist.
- A listing of all transactions is stored in a filing cabinet within the Sheriff's Department.

Auditor's Conclusion

This is a recurring finding. The office must take all actions necessary to comply with our recommendation. During our next examination we will determine if the sheriff's office complied with our recommendation.

SHERIFF
LUZERNE COUNTY
FINDINGS AND RECOMMENDATIONS
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Finding No. 2 - Inadequate Internal Controls Over The Bank Account - Recurring

We cited the office for inadequate internal controls over the bank account in the two prior examination reports with the most recent report for the period September 1, 2004 to February 29, 2008. However, our current examination found that the office did not correct this issue.

Our current examination disclosed that there was no accountability over undisbursed funds. There were adjusted bank balances of \$7,558,427.18 in the General Account and \$1,603,341.92 in the Real Estate Account as of February 28, 2013 without corresponding liabilities reports that indicated to whom the monies were due. These deficiencies create an environment that is conducive to fraud.

This deficiency existed because the office ignored the recommendations we provided in two prior examinations and the office failed to establish and implement an adequate system of internal controls over the bank account.

Good internal accounting control procedures ensure that the ending adjusted bank balance is reconciled with liabilities on a monthly basis and any discrepancies are immediately investigated and resolved. Since the office bank account is essentially an escrow account on behalf of the Commonwealth, County, and other participating entities, all available funds on hand should equal unpaid obligations.

Recommendations

We strongly recommend that the office attempt to identify all existing liabilities associated with the office bank account and take appropriate action. Any unidentified funds should be accounted for under normal escheat procedures. We further recommend that the office should ensure that reconciled cash equals unpaid obligations each month.

SHERIFF
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**Finding No. 2 - Inadequate Internal Controls Over The Bank Account - Recurring
(Continued)**

Management's Response

The County Officer responded as follows:

Reconciliation of the Sheriff's Department's bank accounts has not been under the control of the Sheriff's Department since the department started using an accounting software system called ACS in approximately 2008. Currently the duty of reconciliation falls under the Department of Budget and Finance. County management, the Sheriff's Department and the Budget and Finance Office have agreed that the duty of reconciling the Sheriff's Department escrow account and all other Sheriff's Department accounts should be transferred back to the Sheriff's Department. This transition is expected to happen in the near future.

Auditor's Conclusion

This is a recurring finding. The office must take all actions necessary to comply with our recommendations. During our next examination we will determine if the sheriff's office complied with our recommendation.

SHERIFF
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FINDINGS AND RECOMMENDATIONS
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Finding No. 3 - Inadequate Outstanding Check Procedures

Our examination of the General Fund account, which contains funds from several county offices, disclosed 414 outstanding checks totaling \$394,361 that pertained to the Sheriff's office. These checks were dated from April 8, 2008 to August 30, 2012 and were outstanding as of February 28, 2013. In addition, our examination of the Real Estate checking account revealed that the Sheriff was carrying 43 outstanding checks totaling \$49.64. These checks were dated from January 5, 2010 to March 2, 2012 and they were outstanding as of February 28, 2013. These deficiencies contribute to an environment that is conducive to fraud.

Good internal accounting controls require that the office follow-up on all outstanding checks. If a check is outstanding for a period over 90 days, efforts should be made to locate the payee. If efforts to locate the payee are unsuccessful, the amount of the check should be removed from the outstanding checklist, added back to the checkbook balance, and subsequently held in escrow for unclaimed escheatable funds.

This deficiency existed because the office failed to establish and implement adequate internal controls over outstanding checks.

Recommendation

We recommend that the office establish and implement a procedure so that outstanding checks are reviewed monthly to determine if there are any outstanding checks. If checks remain outstanding and attempts to contact payees after 90 days are unsuccessful, the office should reinstate the amount of outstanding checks to the checking account and subsequently hold these monies in escrow for unclaimed escheatable funds.

SHERIFF
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Finding No. 3 - Inadequate Outstanding Check Procedures (Continued)

Management's Response

The County Officer responded as follows:

The Sheriff's Department is not provided with a copy of outstanding checks. This duty is not currently overseen by the Sheriff's Department and is handled by the Budget and Finance Office. It has also been agreed that this duty should also be transferred back to the Sheriff's Department. This transition is expected to happen in the near future.

It is the Sheriff's Department's intention once this duty is transferred back to the Sheriff's Department to perform the following procedures:

- Reconcile Sheriff's Department accounts on a monthly basis.
- Identify all outstanding checks.
- For checks which are outstanding more than 45 days, attempt to contact payee.
- If after 90 days attempts to contact payee are unsuccessful, the amount listed on the outstanding check shall be reinstated into the account.
- The funds in the balance of the outstanding check will be transferred to a separate escrow account for unclaimed funds.

Auditor's Conclusion

During our next examination we will determine if the sheriff's office complied with our recommendation.

SHERIFF
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FINDINGS AND RECOMMENDATIONS
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**Finding No. 4 - Commonwealth's Portion Of Revenue Was Not Transmitted Timely -
Recurring**

In our prior report for the period September 1, 2004 to February 29, 2008, we cited the office for not timely transmitting the Commonwealth's portion of revenue. Our current examination found that the office did not correct this issue. Our current examination disclosed that 26 of 27 payments made by the office to the Commonwealth's Office of Comptroller Operations for the collection of the deputy sheriff's education and training surcharge, the firearms license to carry, modernization account fee, and firearms license validation system account fee were not transmitted within the required time period. The time lapse from the due date to the date received ranged from 10 days to 136 days. One of the 27 payments was not remitted. That payment was for the period March 1, 2011 to August 31, 2011 and in the amount of \$77,829.

In addition, we found that the office's collection records did not always match the office's semi-annual reports submitted to the Commonwealth.

Because of these deficiencies, we could not determine if the County Officer properly recorded, remitted, and reported all monies received and due to the Commonwealth. These deficiencies contribute to an environment that is conducive to fraud.

The Commonwealth's portion must be submitted semiannually to the Pennsylvania Office of Comptroller Operations for deposit into a special restricted receipt accounts in the General Fund of the State Treasury. 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 the semiannual report for the period September 1 to February 28 be postmarked by the 5th working day of March.

SHERIFF
 LUZERNE COUNTY
 FINDINGS AND RECOMMENDATIONS
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**Finding No. 4 - Commonwealth's Portion Of Revenue Was Not Transmitted Timely -
 Recurring (Continued)**

The following schedule identifies those funds that were transmitted late:

Collection Period	Payment Due Date	Check Issuance Date	Amount
03/01/08 to 08/31/08	09/08/08	09/18/08	\$ 19,380
03/01/08 to 08/31/08	09/08/08	10/09/08	10,392
03/01/08 to 08/31/08	09/08/08	10/09/08	67,710
03/01/08 to 08/31/08	09/08/08	10/09/08	1,225
09/01/08 to 02/28/09	03/06/09	05/04/09	1,471
09/01/08 to 02/28/09	03/06/09	05/04/09	48,674
09/01/08 to 02/28/09	03/06/09	05/04/09	7,355
09/01/08 to 02/28/09	03/06/09	05/04/09	10,030
09/01/08 to 02/28/09	03/06/09	05/04/09	1,325
09/01/08 to 02/28/09	03/06/09	05/13/09	20,550
03/01/09 to 08/31/09	09/07/09	01/21/10	13,480
03/01/09 to 08/31/09	09/07/09	10/22/09	62,245
03/01/09 to 08/31/09	09/07/09	12/22/09	2,053
03/01/09 to 08/31/09	09/07/09	12/22/09	10,265
09/01/09 to 02/28/10	03/07/10	04/23/10	8,724
09/01/09 to 02/28/10	03/07/10	04/14/10	76,490
09/01/09 to 02/28/10	03/07/10	03/23/10	18,190
03/01/10 to 08/31/10	09/07/10	09/22/10	19,360
03/01/10 to 08/31/10	09/07/10	09/22/10	100,338
09/01/10 to 02/28/11	03/07/11	04/28/11	23,650
09/01/10 to 02/28/11	03/07/11	04/19/11	70,962
09/01/11 to 02/29/12	03/07/12	05/31/12	52,810
09/01/11 to 02/29/12	03/07/12	06/04/12	17,520
03/01/12 to 08/31/12	09/10/12	10/18/12	62,813
03/01/12 to 08/31/12	09/10/12	11/01/12	12,190
09/01/12 to 02/28/13	03/07/13	05/20/13	48,058
			48,058
Total			\$787,260

The above noted condition resulted in the Office of Comptroller Operations not receiving Commonwealth monies in a timely manner. In addition, we were unable to determine that actual remittances matched actual receipts.

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

Recommendation

We again strongly recommend that the Sheriff transmit the Commonwealth's portion of revenue as required by the Pennsylvania Office of Comptroller Operations. Furthermore, the payment of \$77,829 should be remitted to the Commonwealth. It is imperative that the office remit funds to the Department of Revenue timely in order to minimize the possibility of loss or theft of funds. The office's failure to timely remit funds creates an environment conducive to fraud.

Management's Response

The County Officer responded as follows:

I, Brian M. Szumski, have been acting as Sheriff since September 9, 2013, and have no response as to why the Commonwealth's portion of revenue was not transmitted timely. It will be the policy of the Sheriff's Department, while I oversee it, to disburse the Commonwealth's portion of revenue by the 5th working day of the next month following the reporting period.

Auditor's Conclusion

This is a recurring finding. The office must take all actions necessary to comply with our recommendation. During our next examination we will determine if the sheriff's office complied with our recommendation.

SHERIFF
LUZERNE COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
MARCH 1, 2008 TO FERUARY 28, 2013

This report was initially distributed to:

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

Mr. Derin Myers
Director
Office of Financial Management and Administration
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The Honorable Brian Szumski	Sheriff
The Honorable Robert Lawton	County Manager
The Honorable Michele Bednar	Controller
Ms. Joan Hoggarth	Director of Judicial Services and Records
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