

SHERIFF

BUTLER COUNTY

EXAMINATION REPORT

FOR THE PERIOD

SEPTEMBER 1, 2005 TO AUGUST 31, 2009

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Independent Auditor's Report

Ms. Mildred Duncan
Commonwealth Accountant Manager
OFFICE OF COMPTROLLER OPERATIONS
Accounts Receivable
555 Walnut Street
The Forum Place, 9th Floor
Harrisburg, PA 17101

We have examined the accompanying statement of receipts and disbursements (Statement) of the Sheriff, Butler County, Pennsylvania (County Officer), for the period September 1, 2005 to August 31, 2009, 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*.

Independent Auditor's Report (Continued)

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 ended August 31, 2009, 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 deficiencies in internal control over the reporting on the Statement:

- Inadequate Segregation Of Duties.
- Inadequate Accountability Over Funds Held In Escrow.
- Inadequate Internal Controls Over Receipts.

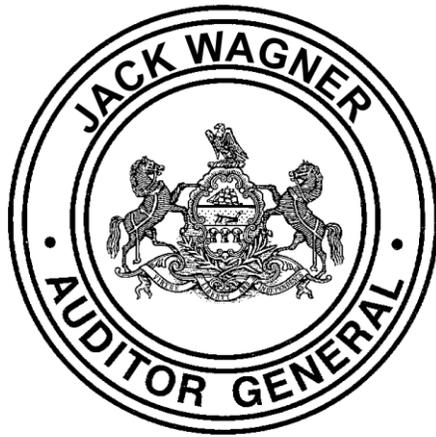
Independent Auditor's Report (Continued)

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 the significant deficiencies described above to be material weaknesses.

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.

April 23, 2010

JACK WAGNER
Auditor General



SHERIFF
 BUTLER COUNTY
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 SEPTEMBER 1, 2005 TO AUGUST 31, 2009

Receipts:

Deputy Sheriff's Training and Education Surcharges	\$	192,235
Firearms License to Carry Modernization Account Fees		62,600
Firearms License Validation System Account Fees		<u>12,520</u>
Total Receipts (Note 2)		267,355
Disbursements to Office of Comptroller Operations (Note 3)		<u>(267,355)</u>
Balance due Office of Comptroller Operations (County) (Note 4)		-
Examination adjustments		<u>-</u>
Adjusted balance due Office of Comptroller Operations (County) for the period September 1, 2005 to August 31, 2009	\$	<u><u>-</u></u>

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

SHERIFF
BUTLER COUNTY
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
SEPTEMBER 1, 2005 TO AUGUST 31, 2009

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.
- 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 September 1, 2005 To August 31, 2009

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

5. County Officer Serving During Examination Period

Dennis C. Rickard served as Sheriff during the period September 1, 2005 to August 31, 2009.

SHERIFF
BUTLER COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
SEPTEMBER 1, 2005 TO AUGUST 31, 2009

Finding No. 1 - Inadequate Segregation Of Duties

Our examination disclosed that one employee in the office was responsible for performing the following functions:

- Summarizing accounting records.
- Reconciling collections to accounting records and/or receipts.
- Reconciling bank statement.
- Reconciling validated deposit slip to accounting records as to the mix of cash and checks collected.

A good system of internal controls requires adequate segregation of duties.

In order to achieve adequate segregation of duties, one employee should not have custody of cash and at the same time maintain the accounting records for the cash. These duties should be segregated and rotated daily. As an alternative control, someone independent from maintaining the accounting records and handling cash should review the employee's work daily. The reviewer should sign and date the records and documents reviewed.

This condition existed because office personnel were not cross-trained. Additionally, duties involving the handling of cash and maintaining accounting records were not rotated daily.

Without adequate segregation of duties, the possibility of funds being lost or misappropriated increases significantly.

Recommendation

We recommend that the office provide for greater segregation of duties within the office. This can be done by cross-training personnel and rotating job functions that include the handling of cash and maintaining the accounting records for the cash. As an alternative and/or additional control, someone independent from the handling of cash and the accounting records should review the employee's work at the end of each day. The reviewer should sign and date the records and documents reviewed.

Management's Response

The Current Sheriff, Michael T. Slupe, responded as follows:

Please note that this examination period reflected the prior office holder's findings and observations.

SHERIFF
BUTLER COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
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Finding No. 2 - Inadequate Accountability Over Funds Held In Escrow

Our examination disclosed that there was no accountability over undisbursed funds. There was an adjusted bank balance of \$1,877,373 as of August 31, 2009 without a corresponding liabilities report indicating to whom the monies were due.

Good internal accounting control procedures ensure that a complete listing of liabilities be maintained. Additionally, the ending adjusted bank balance should be reconciled with the list of liabilities on a monthly basis and any discrepancies should be 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.

It should be noted that testing revealed that monies due the Commonwealth were remitted to the Commonwealth.

This condition existed because the office failed to establish and implement an adequate system of internal controls over funds held in escrow.

Without a good system of internal controls over funds held in escrow, the possibility of funds being lost or misappropriated increases significantly.

Recommendations

We recommend that the office attempt to identify all existing liabilities associated with the office bank account. Any unidentified funds should be accounted for under normal escheat procedures. Furthermore, we recommend that the office should ensure that reconciled cash equals unpaid obligations monthly.

Management's Response

The Current Sheriff, Michael T. Slupe, responded as follows:

Please note that this examination period reflected the prior officeholder's findings and observations.

SHERIFF
BUTLER COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
SEPTEMBER 1, 2005 TO AUGUST 31, 2009

Finding No. 3 - Inadequate Internal Controls Over Receipts

Our examination disclosed significant weaknesses over the internal control over receipts. These weaknesses included:

- Of 40 receipts tested, 8 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 two days to five days.
- The method of payment such as cash, check, or money order was not identified on the daily cash receipts journal.
- The amount of each check and the total amount of cash was not identified on the deposit slip.

These conditions existed because the office failed to establish and implement an adequate system of internal controls over receipts.

Good internal accounting controls ensure that:

- All monies collected are deposited intact on the same day as collected.
- A cash receipts journal is maintained that identifies the method of payment such as cash, check, or money order.
- 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.

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

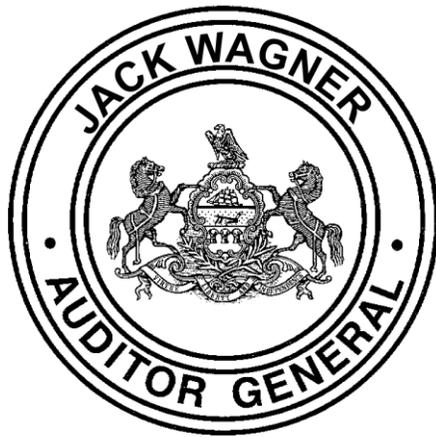
Recommendation

We recommend that the office improve internal controls over receipts by implementing the procedures outlined above.

Management's Response

The Current Sheriff, Michael T. Slupe, responded as follows:

Please note that this examination period reflected the prior office holder's findings and observations.



SHERIFF
BUTLER COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
SEPTEMBER 1, 2005 TO AUGUST 31, 2009

This report was initially distributed to:

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Commonwealth Accountant Manager
Office of Comptroller Operations
Accounts Receivable
555 Walnut Street
The Forum Place, 9th Floor
Harrisburg, PA 17101

Mr. Derin Myers
Director
Office of Financial Management and Administration
Pennsylvania Commission on Crime and Delinquency
3101 North Front Street
Harrisburg, PA 17110

The Honorable Michael T. Slupe	Sheriff
The Honorable A. Dale Pinkerton	Chairperson of the Board of Commissioners
The Honorable John R. McMillin, Jr.	Controller

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. To view this report online or to contact the Department of the Auditor General, please access our web site at www.auditorgen.state.pa.us.