

SHERIFF

LUZERNE COUNTY

EXAMINATION REPORT

FOR THE PERIOD

SEPTEMBER 1, 2004 TO FEBRUARY 29, 2008

## CONTENTS

	<u>Page</u>
Independent Auditor's Report .....	1
Financial Section:	
Statement Of Receipts And Disbursements.....	5
Notes To The Statement Of Receipts And Disbursements.....	6
Exhibit 1 - Schedule Of Reporting Errors And Examination Adjustments .....	8
Findings And Recommendations:	
Finding No. 1 - Missing Records .....	9
Finding No. 2 - Inadequate Internal Controls Over Receipts.....	11
Finding No. 3 - Inadequate Internal Controls Over The Bank Account .....	13
Finding No. 4 - Commonwealth's Portion Of Revenue Was Not Always Transmitted Timely .....	15
Report Distribution .....	19

## 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, Luzerne County, Pennsylvania (County Officer), for the period September 1, 2004 to February 29, 2008, 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.

Except as discussed in the fourth paragraph, 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)

As discussed in Finding No. 1, various accounting records were missing and not available for the examination. Without these records, we could not perform our standard examination procedures. As a result, the scope of our examination of the County Officer's Statement was limited, and we were unable to satisfy ourselves by other examination procedures.

In our opinion, except for the effects, if any, of the matters noted in the preceding paragraph, 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 February 29, 2008, 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:

- Missing Records.
- Inadequate Internal Controls Over Receipts.
- Inadequate Internal Controls Over The Bank Account.

### 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.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we did note an other matter that, while not required to be included in this report by *Government Auditing Standards*, has been included in the finding below:

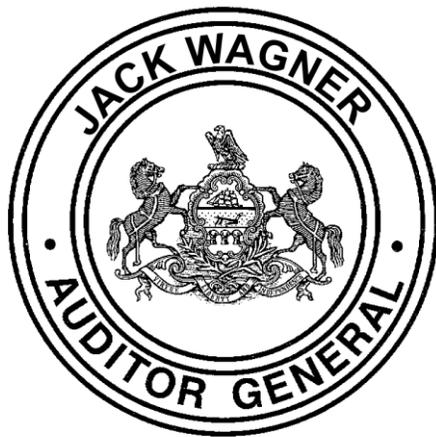
- Commonwealth's Portion Of Revenue Was Not Always Transmitted Timely.

We are concerned in light of the County Officer's failure to correct a previously reported finding regarding inadequate internal control over receipts and disbursements. Additionally, during our current examination, we noted a weakness in the internal controls over payments to the Office of Comptroller Operations. The failure to implement an adequate system of internal controls over receipts and disbursements increases the risk for funds to be lost, stolen, or misappropriated. Furthermore, the failure to remit Commonwealth funds as required by law has resulted in the Office of Comptroller Operations not receiving its funds due on a timely basis. The County Officer should strive to implement the recommendations and corrective action noted in this examination report.

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.

October 1, 2008

JACK WAGNER  
Auditor General



SHERIFF  
 LUZERNE COUNTY  
 STATEMENT OF RECEIPTS AND DISBURSEMENTS  
 FOR THE PERIOD  
 SEPTEMBER 1, 2004 TO FEBRUARY 29, 2008

Receipts:

Deputy Sheriff's Training and Education Surcharges	\$	505,670
Firearms License to Carry Modernization Account Fees		30,645
Firearms License Validation System Account Fees		<u>6,129</u>
Total Receipts (Note 2)		542,444
Disbursements to Office of Comptroller Operations (Note 3)		<u>(542,444)</u>
Balance due Office of Comptroller Operations (County) (Note 4)		-
Examination adjustments (Exhibit 1)		<u>1,900</u>
Adjusted balance due Office of Comptroller Operations (County) for the period September 1, 2004 to February 29, 2008	\$	<u>1,900</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  
SEPTEMBER 1, 2004 TO FEBRUARY 29, 2008

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 represents 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, 2004 To February 29, 2008

This balance reflects a summary of transmittal reports as settled by the Office of Comptroller Operations. It does not reflect adjustments disclosed by our examination. Refer to Exhibit 1.

SHERIFF  
LUZERNE COUNTY  
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
SEPTEMBER 1, 2004 TO FEBRUARY 29, 2008

5. County Officers Serving During Examination Period

Barry L. Stankus served as Sheriff during the period September 1, 2004 to January 6, 2008.

Michael A. Savokinas served as Sheriff during the period January 7, 2008 to February 29, 2008.

SHERIFF  
 LUZERNE COUNTY  
 EXHIBIT 1  
 FOR THE PERIOD  
 SEPTEMBER 1, 2004 TO FEBRUARY 29, 2008

Exhibit 1 - Schedule Of Reporting Errors And Examination Adjustments

<u>Reporting Peirod</u>	<u>Examination Adjustments</u>	<u>Explanation</u>
03/01/05 to 08/31/05	\$ 2,255	1
09/01/05 to 02/28/06	<u>(355)</u>	2
Total:	<u>\$ 1,900</u>	

1. Deputy Sheriff's Education and Training Surcharges were collected but not remitted to the Office of Comptroller Operations.
2. Deputy Sheriff's Education and Training Surcharges were incorrectly calculated and remitted to the Office of Comptroller Operations.

SHERIFF  
LUZERNE COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
SEPTEMBER 1, 2004 TO FEBRUARY 29, 2008

Finding No. 1 - Missing Records

Our examination disclosed that accounting records for the following could not be located, and therefore were not available for our examination.

- Real Estate Executions for the period September 1, 2004 to February 29, 2008.
- Civil Actions for the periods January 1, 2005 to April 30, 2005, July 1, 2005 to August 31, 2005, and November 1, 2005 to December 31, 2005.
- Protection From Abuse Actions for the period September 1, 2004 to December 31, 2004.

Good internal accounting controls ensure that all records are properly maintained and accounted for.

This condition existed because the office failed to establish and implement an adequate system of internal controls over records.

Without a good system of internal controls over records, the potential is increased that collections associated with missing records and documents could be misappropriated.

This condition was cited in the prior examination period ending August 31, 2004.

Recommendation

We again recommend that the office establish and implement procedures to ensure that all records are properly maintained and accounted for.

Management's Response

The Sheriff responded as follows:

We will begin our response in regards to the missing records of the Real Estate Mortgage Foreclosure executions from the period of September 1, 2004 through February 29, 2008, the Civil Process documentation from the periods of January 1, 2005 through April 30, 2005, July 1, 2005 through August 31, 2005, and November 1, 2005 and December 31, 2005 and finally the Protection From Abuse actions from the period of September 1, 2004 through December 31, 2004.

SHERIFF  
LUZERNE COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
SEPTEMBER 1, 2004 TO FEBRUARY 29, 2008

Finding No. 1 - Missing Records (Continued)

Management's Response (Continued)

Please be advised that our department, under the new administration of Sheriff Michael A. Savokinas, did present to you for examination all records that were in our possession since Sheriff Savokinas was sworn into office on January 7, 2008. Upon receiving notification that an audit was to be done, a diligent search for all of the necessary paperwork was done to assure that the auditor had all available records on hand for auditing purposes.

Since becoming aware of the missing records, Sheriff Savokinas has worked in conjunction with [Vendor A] who are Business Performance Specialists provided by the county to see that the records of the department are stored and kept in proper order for any and all future purposes. He has also taken steps internally in the department to assure that the errors of the past administration pertaining to record keeping are kept in the past and do not carry over to the present administration.

Auditor's Conclusion

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

SHERIFF  
LUZERNE COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
SEPTEMBER 1, 2004 TO FEBRUARY 29, 2008

Finding No. 2 - Inadequate Internal Controls Over Receipts

Our review of the accounting records for the office disclosed the following deficiencies:

- Collections were not always deposited on the same day as received. Of 40 transactions tested, 27 were not deposited on the same day as collected. The time lapse from the date of collection to the subsequent date of deposit ranged from 2 days to 30 days.
- Receipts were not issued for 27 of the 40 transactions tested.

These conditions existed because the office failed to establish adequate internal controls over its receipts.

A good system of internal controls ensures that:

- All monies collected are deposited in the bank at the end of every day.
- All transactions are supported by serially numbered receipts.

Without a good system of internal controls over funds received by the office, the potential is increased that funds could be lost, stolen, or misappropriated.

These conditions were cited in the prior examination period ending August 31, 2004.

Recommendation

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

SHERIFF  
LUZERNE COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
SEPTEMBER 1, 2004 TO FEBRUARY 29, 2008

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

Management's Response

The Sheriff responded as follows:

In response to the inadequate control over receipts which included numerous (27 out of 40) receipts not deposited timely, having a time lapse which ranged from 2 to 30 days and the serially numbered receipts which were not issued for 27 out of 40 transactions, Sheriff Savokinas has instituted a new county recommended cash receipts program which is now used throughout the department. Deposits are turned over daily to the county treasurer's office and all receipts for transactions processed throughout the department are given an individual receipt number. The receipts also include transaction numbers and operator numbers.

Auditor's Conclusion

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

SHERIFF  
LUZERNE COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
SEPTEMBER 1, 2004 TO FEBRUARY 29, 2008

Finding No. 3 - Inadequate Internal Controls Over The Bank Account

Our review of the accounting records for the office disclosed the following deficiencies in the internal controls over the bank account:

- Bank reconciliations were not prepared.
- There was no adequate accountability over undisbursed funds.

These conditions existed because the office failed to establish adequate internal controls over its bank account.

A good system of internal controls ensures that:

- Bank reconciliations are prepared accurately and on a monthly basis.
- The ending adjusted bank balance is reconciled with liabilities on a monthly basis and any discrepancies are immediately investigated and resolved. Since the bank account of the office is essentially an escrow account on behalf of the Commonwealth, County, and other participating entities, all available cash on hand should equal unpaid obligations.

Without a good system of internal controls over the bank account, the potential is increased that funds could be lost, stolen, or misappropriated.

These conditions were cited in the prior examination period ending August 31, 2004.

Recommendation

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

SHERIFF  
LUZERNE COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
SEPTEMBER 1, 2004 TO FEBRUARY 29, 2008

Finding No. 3 - Inadequate Internal Controls Over The Bank Account (Continued)

Management's Response

The Sheriff responded as follows:

In response to the inadequate internal control over bank accounts which included bank reconciliations which had not been prepared and the lack of adequate accountability over undisbursed funds, Sheriff Savokinas has taken the necessary steps to see that all banking statements that are not handled by the county treasurer's office are addressed and handled in a prompt manner tending to any necessary undisbursed funds is handled in an expeditious manner.

Once the matters are addressed Sheriff Savokinas is presented with the matters addressed and he personally reviews and confirms said reviews by initialing all documentation.

Auditor's Conclusion

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

SHERIFF  
 LUZERNE COUNTY  
 FINDINGS AND RECOMMENDATIONS  
 FOR THE PERIOD  
 SEPTEMBER 1, 2004 TO FEBRUARY 29, 2008

Finding No. 4 - Commonwealth's Portion Of Revenue Was Not Always Transmitted Timely

Our examination disclosed that 28 out of 34 payments made to the 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 time period required. The time lapse from the due date to the date received ranged from 2 days to 104 days.

The Commonwealth's portion must be submitted semiannually to the Pennsylvania Office of Comptroller Operations for deposit into the Deputy Sheriff's Education and Training Account. The Pennsylvania Office of Comptroller Operations requires that the semiannual report for the period March 1 to August 31 be postmarked by the 5<sup>th</sup> working day of September and that the semiannual report for the period September 1 to February 28 be postmarked by the 5<sup>th</sup> working day of March.

The following schedule identifies those funds which were transmitted late:

<u>Collection Period</u>	<u>Date Payment Due</u>	<u>Date Received</u>	<u>Amount Due</u>
09/01/04 to 02/28/05	03/07/05	03/09/05	\$ 1,690
09/01/05 to 02/28/06	03/07/06	03/13/06	56,220
09/01/05 to 02/28/06	03/07/06	03/13/06	9,910
09/01/05 to 02/28/06	03/07/06	03/13/06	6,980
09/01/05 to 02/28/06	03/07/06	03/13/06	3,085
03/01/06 to 08/31/06	09/08/06	09/14/06	48,550
03/01/06 to 08/31/06	09/08/06	09/14/06	12,210
03/01/06 to 08/31/06	09/08/06	09/14/06	10,580
03/01/06 to 08/31/06	09/08/06	09/14/06	2,675
03/01/06 to 08/31/06	09/08/06	12/18/06	5,466
09/01/06 to 02/28/07	03/07/07	03/28/07	9,340
09/01/06 to 02/28/07	03/07/07	04/05/07	18,230
09/01/06 to 02/28/07	03/07/07	04/05/07	15,043
09/01/06 to 02/28/07	03/07/07	04/05/07	875
09/01/06 to 02/28/07	03/07/07	04/05/07	835
09/01/06 to 02/28/07	03/07/07	04/25/07	9,906
09/01/06 to 02/28/07	03/07/07	04/25/07	11,570

SHERIFF  
 LUZERNE COUNTY  
 FINDINGS AND RECOMMENDATIONS  
 FOR THE PERIOD  
 SEPTEMBER 1, 2004 TO FEBRUARY 29, 2008

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

<u>Collection Period</u>	<u>Date Payment Due</u>	<u>Date Received</u>	<u>Amount Due</u>
03/01/07 to 08/31/07	09/10/07	09/24/07	10,950
03/01/07 to 08/31/07	09/10/07	09/25/07	1,695
03/01/07 to 08/31/07	09/10/07	11/14/07	60,587
03/01/07 to 08/31/07	09/10/07	11/14/07	8,070
03/01/07 to 08/31/07	09/10/07	11/14/07	4,660
03/01/07 to 08/31/07	09/10/07	11/14/07	12,090
09/01/07 to 02/29/08	03/07/08	04/08/08	8,160
09/01/07 to 02/29/08	03/07/08	04/08/08	71,650
09/01/07 to 02/29/08	03/07/08	04/08/08	1,485
09/01/07 to 02/29/08	03/07/08	04/08/08	11,310
09/01/07 to 02/29/08	03/07/08	04/08/08	9,312
Total			\$423,134

The above-noted conditions resulted in the Office of Comptroller Operations not receiving Commonwealth monies in a timely manner.

Recommendation

We recommend that the Sheriff transmit the Commonwealth's portion of revenue as required by Section 901 of *The Fiscal Code*.

Management's Response

The Sheriff responded as follows:

In regards to the late payments (28 out of 34) to the [Office of Comptroller Operations] which ranged from 2 to 104 days late, please be advised that although the Sheriff's Department does personally prepare the reports which are sent to the [Office of Comptroller Operations], our office does not cut all of the checks for payment. Our department must request the checks now processed through [Vendor B] which include our payments from the Luzerne County Controller's office and in doing so, we are then put at the mercy of the controller's office until we receive the checks to be mailed to the Office of Comptroller Operations. Ultimately, yes it is

SHERIFF  
LUZERNE COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
SEPTEMBER 1, 2004 TO FEBRUARY 29, 2008

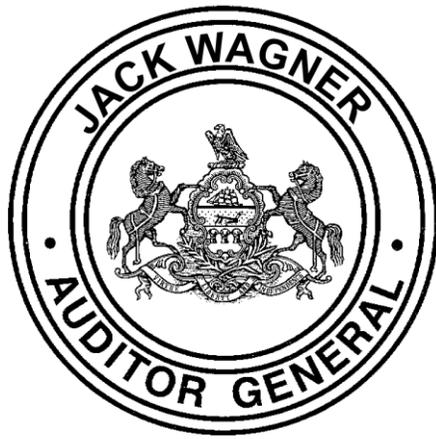
Finding No. 4 - Commonwealth's Portion Of Revenue Was Not Always Transmitted Timely  
(Continued)

Management's Response (Continued)

the responsibility of the Sheriff's office to meet any deadlines and because of this, Sheriff Savokinas has personally met with and is still currently working with the county commissioners and the county controller to alleviate this problem in the future.

Auditor's Conclusion

Although the processing of checks is out of the control of the Sheriff, it is imperative that corrective action is taken to ensure the Commonwealth receives its funds as required by the Office of Comptroller Operations. We will determine if the county complied with our recommendation in our next examination.



SHERIFF  
LUZERNE COUNTY  
REPORT DISTRIBUTION  
FOR THE PERIOD  
SEPTEMBER 1, 2004 TO FEBRUARY 29, 2008

This report was initially distributed to:

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

Ms. Sally A. Hitz  
Director  
Office of Financial Management and Administration  
Pennsylvania Commission on Crime and Delinquency  
3101 North Front Street  
Harrisburg, PA 17110

Sheriff  
Luzerne County  
Luzerne County Courthouse  
200 North River Street  
Wilkes-Barre, PA 18711

The Honorable Michael A. Savokinas	Sheriff
The Honorable Anthony J. Martinelli	Acting Controller
The Honorable Maryanne C. Petrilla	Chairman of the Board of Commissioners

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](http://www.auditorgen.state.pa.us).