

ATTESTATION ENGAGEMENT

Fiscal Officer (Treasurer)

Lehigh County, Pennsylvania

For the Period

Fishing - January 1, 2011 to December 31, 2011

Dog - January 1, 2011 to November 30, 2013

November 2016



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
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www.PaAuditor.gov

EUGENE A. DePASQUALE
AUDITOR GENERAL

Independent Auditor's Report

The Honorable Timothy Reeves
Treasurer
Lehigh County
Allentown, PA 18101

We have examined the accompanying statements of receipts and disbursements (Statements) of the Treasurer, Lehigh County, Pennsylvania (County Officer), for the license period identified on the contents page, pursuant to the requirements of Section 401(d) of *The Fiscal Code*, 72 P.S. § 401(d). The County Office's management is responsible for these Statements. Our responsibility is to express an opinion on these Statements 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 and, accordingly, included examining, on a test basis, evidence supporting the Statements 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(d) 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(d) of *The Fiscal Code*.

In our opinion, the Statements referred to above present, in all material respects, the operations of the County Officer as it pertains to receipts made on behalf of the of the licensing agencies, for the license period identified on the contents page, 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 Statements; 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 Statements. 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 Statements are presented in accordance with the criteria described above and not for the purpose of expressing an opinion on internal control over reporting on the Statements or on compliance and other matters; accordingly, we express no such opinions.

Our consideration of internal control over reporting on the Statements was for the limited purpose of expressing an opinion on whether the Statements are presented in accordance with the criteria described above and was not designed to identify all deficiencies in internal control over reporting on the Statements that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 deficiency listed below to be a material weakness.

- Missing Dog Licenses.

As part of obtaining reasonable assurance about whether the Statements are 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 other instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Independent Auditor's Report (Continued)

This report is intended solely for the information and use of the Pennsylvania Fish and Boat Commission, the Pennsylvania Department of Agriculture, 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 Fiscal Officer (Treasurer), Lehigh 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 27, 2016

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TREASURER
 LEHIGH COUNTY
 FISHING LICENSE SALES
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 FOR THE LICENSE PERIOD JANUARY 1, 2011 TO DECEMBER 31, 2011

<u>License Type</u>	<u>Licenses Sold</u>	<u>Amount Due Fish and Boat Commission</u>
Resident	12	\$ 260.40
Trout/Salmon Stamp	11	95.70
Totals (Note 2)	<u>23</u>	356.10
Disbursements to Fish and Boat Commission (Note 3)		<u>(356.10)</u>
Balance due Fish and Boat Commission (County) per settled reports (Note 4)		-
Examination adjustments		<u>-</u>
Adjusted balance due Fish and Boat Commission (County) for the license period January 1, 2011 to December 31, 2011		<u>\$ -</u>

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

TREASURER
LEHIGH COUNTY
DOG LICENSE SALES
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE LICENSE PERIOD JANUARY 1, 2011 TO DECEMBER 31, 2011

<u>License Type</u>	<u>Licenses Sold</u>	<u>Amount Due Department of Agriculture</u>
Individual	10,861	\$60,145.00
Senior citizen	2,702	\$8,982.00
Lifetime	<u>905</u>	<u>\$26,970.00</u>
Totals (Note 2)	<u>14,468</u>	96,097.00
Disbursements to Department of Agriculture (Note 3)		<u>(\$96,097.00)</u>
Balance due Department of Agriculture (County) per settled reports (Note 4)		-
Examination adjustments (Finding)		<u>72,643.00</u>
Adjusted balance due Department of Agriculture (County) for the license period January 1, 2011 to December 31, 2011		<u>\$ 72,643.00</u>

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

TREASURER
 LEHIGH COUNTY
 DOG LICENSE SALES
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 FOR THE LICENSE PERIOD JANUARY 1, 2012 TO DECEMBER 31, 2012

<u>License Type</u>	<u>Licenses Sold</u>	<u>Amount Due Department of Agriculture</u>
Individual	9,834	\$54,086.00
Senior citizen	2,703	\$9,007.00
Lifetime	<u>1,088</u>	<u>\$32,640.00</u>
Totals (Note 2)	<u><u>13,625</u></u>	95,733.00
Disbursements to Department of Agriculture (Note 3)		<u>(\$95,733.00)</u>
Balance due Department of Agriculture (County) per settled reports (Note 4)		-
Examination adjustments		<u>-</u>
Adjusted balance due Department of Agriculture (County) for the license period January 1, 2012 to December 31, 2012		<u>\$ -</u>

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

TREASURER
 LEHIGH COUNTY
 DOG LICENSE SALES
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 FOR THE LICENSE PERIOD JANUARY 1, 2013 TO NOVEMBER 30, 2013

<u>License Type</u>	<u>Licenses Sold</u>	<u>Amount Due Department of Agriculture</u>
Individual	11,267	\$61,126.00
Senior citizen	3,064	\$10,090.00
Lifetime	<u>1,233</u>	<u>\$36,240.00</u>
Totals (Note 2)	<u><u>15,564</u></u>	107,456.00
Disbursements to Department of Agriculture (Note 3)		<u>(\$107,456.00)</u>
Balance due Department of Agriculture (County) per settled reports (Note 4)		-
Examination adjustments		<u>-</u>
Adjusted balance due Department of Agriculture (County) for the license period January 1, 2013 to November 30, 2013		<u>\$ -</u>

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

TREASURER
LEHIGH COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE FISHING LICENSE PERIOD JANUARY 1, 2011 TO DECEMBER 31, 2011
FOR THE DOG LICENSE PERIOD JANUARY 1, 2011 TO NOVEMBER 30, 2013

1. Criteria

The Statements of Receipts and Disbursements provide a summary of receipts and disbursements by category. The categories and the costs of licenses are based on Pennsylvania laws and regulations.

The Statements were prepared in accordance with reporting requirements prescribed by the licensing agencies. 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.

The following schedule identifies the licensing agencies and the respective reporting period:

<u>License Type</u>	<u>Licensing Agency</u>	<u>License Period</u>
Fishing	Fish and Boat Commission	January 1 to December 31
Dog	Department of Agriculture	January 1 to December 31

With all of the license types listed above, there are licenses that are sold the month prior to the official license period beginning date. For our reporting purposes, these sales are included in the official first month of the license period.

2. Receipts

Receipts consist of monies collected on behalf of the licensing agency.

3. Disbursements

The proceeds from the sale of fishing licenses, sold electronically, for license year 2011 were remitted weekly through an electronic funds transfer program.

The proceeds from the sale of dog licenses for the license period January 1, 2011 to November 30, 2013 were remitted by check to the appropriate licensing agency with the monthly reports of sales.

TREASURER
LEHIGH COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE FISHING LICENSE PERIOD JANUARY 1, 2011 TO DECEMBER 31, 2011
FOR THE DOG LICENSE PERIOD JANUARY 1, 2011 TO NOVEMBER 30, 2013

4. Balance Due Licensing Agency (County) Per Settled Reports

This balance reflects the summary of monthly sales reports as settled by the appropriate licensing agency. It does not reflect adjustments disclosed by our examination. Refer to the finding.

5. County Officer Serving During Examination Period

Brian L. Kahler served as Fiscal Officer (Treasurer) during the fishing license period January 1, 2011 to December 31, 2011 and dog license period January 1, 2011 to November 30, 2013.

Effective January 1, 2012, the Treasurer's Office stopped selling fishing licenses with the approval of the Pennsylvania Fish and Boat Commission.

TREASURER
LEHIGH COUNTY
FINDING AND RECOMMENDATION
FOR THE FISHING LICENSE PERIOD JANUARY 1, 2011 TO DECEMBER 31, 2011
FOR THE DOG LICENSE PERIOD JANUARY 1, 2011 TO NOVEMBER 30, 2013

Finding - Missing Dog Licenses

Our examination disclosed that the following records were unavailable for review:

- 11,978 individual dog licenses and tags totaling \$59,890 for the period January 1, 2011 to December 31, 2011.
- 4,251 senior dog licenses and tags totaling \$12,753 for the period January 1, 2011 to December 31, 2011.

The total value of the missing licenses is \$72,643 which is reflected in the balance due in the 2011 Statement of Receipts and Disbursements.

Good internal accounting controls ensure that all records are properly accounted for and maintained. In addition, a documentation should be kept until audited by the Department of the Auditor General.

Without a good system of internal controls over record retention, the potential for fraud or misappropriation is increased.

This condition existed because the office failed to establish and implement an adequate internal controls over records. The office stated that the 2011 licenses were inadvertently destroyed with licenses from 2010.

Recommendations

We recommend that the office establish and implement procedures to ensure that all records are properly accounted for and maintained. In addition, all documentation should be kept until audited by the Department of the Auditor General. We further recommend that the Department of Agriculture take the appropriate follow up action on the balance due on the missing licenses.

Management's Response

The County Officer responded as follows:

The missing 2011 unused regular and senior dog licenses was an inadvertent mistake. When the previous audit was finalized, the former Fiscal Officer, Brian Kahler gave the instructions to destroy all unused licenses through 2011 instead of through 2010. This mistake was discovered when the current audit from January 1, 2011 thru December 31, 2015 was initiated. Please accept our previous and current audits (with no findings) as examples of our diligent work and abate any balances or penalties associated with this one-time error or our part. I am positive these unused licenses were prematurely destroyed but never issued.

TREASURER
LEHIGH COUNTY
FINDING AND RECOMMENDATION
FOR THE FISHING LICENSE PERIOD JANUARY 1, 2011 TO DECEMBER 31, 2011
FOR THE DOG LICENSE PERIOD JANUARY 1, 2011 TO NOVEMBER 30, 2013

Finding - Missing Dog Licenses

Auditor's Conclusion

We acknowledge your concerns regarding the balance due for the missing dog licenses. Please note that the decision to remit any balance due on this issue rests with the Department of Agriculture.

TREASURER
LEHIGH COUNTY
REPORT DISTRIBUTION
FOR THE FISHING LICENSE PERIOD JANUARY 1, 2011 TO DECEMBER 31, 2011
FOR THE DOG LICENSE PERIOD JANUARY 1, 2011 TO NOVEMBER 30, 2013

This report was initially distributed to:

The Honorable Russell C. Redding
Secretary
Department of Agriculture

Mr. D. Holbrook Duer
Assistant Counsel
Governor's Office of General Counsel
Department of Agriculture

Mr. John Arway
Executive Director
Fish and Boat Commission

The Honorable Timothy Reeves
Fiscal Officer (Treasurer)

The Honorable Glenn Eckhart
Controller

The Honorable Brad Osborne
Chairman of the Board of Commissioners

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov.