



**SHERIFF
WASHINGTON COUNTY
EXAMINATION REPORT
FOR THE PERIOD
SEPTEMBER 1, 2008 TO FEBRUARY 29, 2012**

COMMONWEALTH OF PENNSYLVANIA
EUGENE A. DEPASQUALE - AUDITOR GENERAL
DEPARTMENT OF THE AUDITOR GENERAL



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
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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, Washington County, Pennsylvania (County Officer), for the period September 1, 2008 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*.

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 September 1, 2008 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 deficiencies in internal control over the reporting on the Statement:

- Inadequate Segregation Of Duties - Recurring.
- Inadequate Internal Controls Over The Bank Account.

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 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 other matters 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 - Recurring.

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.

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke at the end.

July 11, 2013

EUGENE A. DEPASQUALE
Auditor General

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SHERIFF
WASHINGTON COUNTY
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
SEPTEMBER 1, 2008 TO FEBRUARY 29, 2012

Receipts:

Deputy Sheriff's Training and Education Surcharges	\$	239,348
Firearms License to Carry Modernization Account Fees		48,994
Firearms License Validation System Account Fees		<u>12,827</u>
Total Receipts (Note 2)		301,169
Disbursements to Office of Comptroller Operations (Note 3)		<u>(301,169)</u>
Balance due Office of Comptroller Operations (County) (Note 4)		-
Examination adjustments (Note 5)		<u>(61)</u>
Adjusted balance due Office of Comptroller Operations (County) for the period September 1, 2008 to February 29, 2012	\$	<u><u>(61)</u></u>

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

SHERIFF
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NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
SEPTEMBER 1, 2008 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 September 1, 2008 To February 29, 2012

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 (see Note 5).

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NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
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5. Examination Adjustment

The amount reflected as examination adjustments represents an overpayment of \$110 during the period March 1, 2010 to September 30, 2011; a \$25 bank fee deducted from the state modernization fee account and \$24 for gun permit fees that were not remitted.

6. County Officer Serving During Examination Period

Samuel F. Romano served as Sheriff during the period September 1, 2008 to February 29, 2012.

SHERIFF
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FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
SEPTEMBER 1, 2008 TO FEBRUARY 29, 2012

Finding No. 1 - Inadequate Segregation Of Duties - Recurring

We cited the office for the issue of inadequate segregation of duties in the prior examination report for the period ending August 31, 2008. However, our current examination found that the office did not correct this issue. Our current examination again disclosed that one employee in the office was responsible for performing the following functions:

- Collecting cash and entering collection information into the computer system and issuing receipts.
- Summarizing accounting records.
- Preparing deposit slips.
- Making voided transaction adjustments.
- Posting disbursements to the disbursement journal.
- Reconciling collections to accounting records.
- Reconciling the bank account.
- Preparing and signing checks.

These conditions existed because the office ignored our prior audit recommendation and failed to establish and implement an 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, and make voided transaction adjustments. 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.

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

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FINDINGS AND RECOMMENDATIONS
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Finding No. 1 - Inadequate Segregation Of Duties - Recurring (Continued)

Recommendation

We strongly 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 cash. As an alternative and/or additional control, someone independent from the handling of cash and 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 County Officer responded as follows:

Management will initial and approve any reports regarding surcharge.

Auditor's Conclusion

The corrective action included in the office's response isn't specifically responsive to the condition, cause, and recommendation included in this finding. During our next examination, we will determine if the office complied with our recommendation. We strongly recommend that the office take all corrective actions necessary to comply with our recommendation.

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Finding No. 2 - Inadequate Internal Controls Over The Bank Account

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

- There were 125 outstanding checks in the general account totaling \$12,349.60, dated from September 2009 to October 2011 that were still outstanding as of February 29, 2012.
- There was inadequate accountability over funds held in escrow for the general account. Recorded obligations exceeded funds on hand by approximately \$671.
- The office did not maintain a running checkbook balance for the Deputy Education bank account. This resulted in the office remitting \$110 more to the Office of Comptroller operations than was owed.
- A \$25 bank fee was deducted on January 25, 2010 from the modernization fee receipts in error.

These conditions existed because there was a lack of oversight by management. In addition, the office failed to establish adequate internal controls over its bank account.

A good system of internal controls ensures that:

- Adequate procedures are established to follow-up on all outstanding checks. If a check is outstanding for 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.
- Bank statements are reconciled to the book balance on a monthly basis and any discrepancies are immediately investigated and resolved.
- The ending adjusted bank balances are reconciled with liabilities on a monthly basis and any discrepancies are immediately investigated and resolved. Since the bank accounts of the office are essentially an escrow account on behalf of the Commonwealth, County, and other participating entities, all available funds on hand should equal unpaid obligations.

SHERIFF
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FINDINGS AND RECOMMENDATIONS
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Finding No. 2 - Inadequate Internal Controls Over The Bank Account (Continued)

Without a good system of internal controls over the bank account, the possibility of funds being lost or misappropriated increases significantly

Recommendations

We recommend that the office establish and implement an adequate system of internal controls over the bank accounts as noted above. We further recommend that management review financial documents and initial and date all documents reviewed.

Management's Response

The County Officer responded as follows:

Our office will work with our county controller's office to get rid of stale checks in our checking account.

Auditor's Conclusion

The corrective action included in the office's response isn't specifically responsive to the condition, cause and recommendation included in this finding. During our next examination, we will determine if the office complied with our recommendations. We strongly recommend that the office take all corrective actions necessary to comply with our recommendations.

SHERIFF
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Finding No. 3 - Commonwealth's Portion Of Revenue Was Not Always Transmitted Timely -
Recurring

We cited the office for the issue of The Commonwealth's portion of revenue not being transmitted timely in our prior examination report for the period ended August 31, 2008. However, our current examination found that the office once again did not correct this issue. Our current examination disclosed that 12 of 14 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 5 days to 33 days.

The Commonwealth's portion must be submitted semiannually to the Pennsylvania Office of Comptroller Operations for deposit into 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.

The following schedule identifies those funds that were transmitted late:

<u>Collection Period</u>	<u>Payment Due Date</u>	<u>Check Issuance Date</u>	<u>Amount</u>
09/01/08 - 02/28/09	03/06/09	03/16/09	\$ 13,403.00
09/01/08 - 02/28/09	03/06/09	03/18/09	\$ 36,000.00
03/01/09 - 08/31/09	09/07/09	09/15/09	\$ 39,060.00
03/01/09 - 08/31/09	09/07/09	09/18/09	\$ 10,525.00
03/01/10 - 08/31/10	09/07/10	09/14/10	\$ 44,088.00
03/01/10 - 08/31/10	09/07/10	09/14/10	\$ 9,615.00
09/01/10 - 02/28/11	03/07/11	03/14/11	\$ 28,000.00
09/01/10 - 02/28/11	03/07/11	03/14/11	\$ 10,569.00
03/01/11 - 08/31/11	09/08/11	09/28/11	\$ 28,330.00
03/01/11 - 08/31/11	09/08/11	09/28/11	\$ 4,424.00
09/01/11 - 02/29/12	03/07/12	03/19/12	\$ 26,920.00
09/01/11 - 02/29/12	03/07/12	04/23/12	\$ 3,301.00
			<u>\$254,235.00</u>

SHERIFF
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Finding No. 3 - Commonwealth's Portion Of Revenue Was Not Always Transmitted Timely -
Recurring (Continued)

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

Recommendation

We again strongly recommend that the Sheriff transmit the Commonwealth's portion of revenue as required by the Pennsylvania Office of Comptroller Operations.

Management's Response

The County Officer responded as follows:

Our office receives the letter to collect the surcharge a few days after it's dated and we will try to send the fees in a timely manner.

Auditor's conclusion

This is a recurring finding. We strongly recommend that the office take all actions necessary to comply with our recommendation.

SHERIFF
WASHINGTON COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
SEPTEMBER 1, 2008 TO FEBRUARY 29, 2012

This report was initially distributed to:

Mr. Dan Petrino
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 Samuel F. Romano	Sheriff
The Honorable Larry Maggi	Chairperson of the Board of Commissioners
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