

ATTESTATION ENGAGEMENT

Sheriff
Erie County, Pennsylvania
For the Period
September 1, 2015 to August 31, 2018

September 2019



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

The Honorable John Loomis
Sheriff
Erie County
Erie, PA 16501

We have examined the accompanying statements of receipts and disbursements (Statements) of the Sheriff, Erie County, Pennsylvania (County Officer), for the period September 1, 2015 to August 31, 2018, 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 presenting the Statements in accordance with the criteria set forth in Note 1. Our responsibility is to express an opinion on the Statements 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Statements are presented in accordance with the criteria described above, in all material respects. An examination involves performing procedures to obtain evidence about the statements of receipts and disbursements. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material misstatement of the Statements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide 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, the office could not provide us with detailed accounting records regarding the amount of Deputy Sheriff's Education and Training Surcharge fees collected on open case files. The fees were not recorded as paid until the time the case was closed. As a result of this issue, we could not perform our standard examination procedures. As such, 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 Statements referred to above, for the period September 1, 2015 to August 31, 2018, are presented in accordance with the criteria set forth in Note 1, in all material respects.

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 Statements 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 Segregation Of Duties - Recurring.

Independent Auditor's Report (Continued)

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The two examination findings contained in this report cite conditions that existed in the operation of the County Office during the previous engagement period and were not corrected during the current examination period. The County Office should strive to take corrective action to implement the recommendations noted in this report.

The purpose of this report is to determine whether all moneys collected on behalf of the Commonwealth have been correctly assessed, reported and promptly remitted. This report is not suitable for any other purposes.

We appreciate the courtesy extended by the Sheriff, Erie 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

August 20, 2019

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SHERIFF
ERIE COUNTY
OFFICE OF COMPTROLLER OPERATIONS
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
SEPTEMBER 1, 2015 TO AUGUST 31, 2018

Receipts:

Deputy Sheriff's Training and Education Surcharges (Note 2)	\$ 148,210
Disbursements to Office of Comptroller Operations (Note 3)	<u>(148,210)</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, 2015 to August 31, 2018	<u>\$ -</u>

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

SHERIFF
ERIE COUNTY
PENNSYLVANIA STATE POLICE
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
SEPTEMBER 1, 2015 TO AUGUST 31, 2018

Receipts:

Firearms License Validation System Account Fees (Note 2)	\$ 22,162
Disbursements to Commonwealth (Note 3)	<u>(22,162)</u>
Balance due Commonwealth (County) (Note 4)	-
Examination adjustments	<u>-</u>
Adjusted balance due Commonwealth (County) for the period September 1, 2015 to August 31, 2018	<u>\$ -</u>

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

SHERIFF
ERIE COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
SEPTEMBER 1, 2015 TO AUGUST 31, 2018

1. Criteria

The Statements 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 Statements were prepared in accordance with reporting requirements prescribed by the Pennsylvania Office of Comptroller Operations and the Pennsylvania State Police. 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 and the Pennsylvania State Police. 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 Validation System Account Fees represent a \$1 fee imposed for applying for a license to carry a firearm. Effective March 1, 2015, this fee is remitted to the Pennsylvania State Police as required by Pennsylvania Uniform Firearms Act.

3. Disbursements

Total disbursements are comprised as follows:

Sheriff checks issued to:

Office of Comptroller Operations	<u>\$148,210.00</u>
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Sheriff checks issued to:

Pennsylvania State Police	<u>\$22,162.00</u>
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SHERIFF
ERIE COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
SEPTEMBER 1, 2015 TO AUGUST 31, 2018

4. Balance Due Office Of Comptroller Operations and Pennsylvania State Police (County) For The Period September 1, 2015 To August 31, 2018

This balance reflects a summary of receipts and disbursements on behalf of the Office of Comptroller Operations and the Pennsylvania State Police.

5. County Officer Serving During Examination Period

John Loomis served as Sheriff during the period September 1, 2015 to August 31, 2018.

SHERIFF
ERIE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
SEPTEMBER 1, 2015 TO AUGUST 31, 2018

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

We cited the issue of inadequate internal controls over receipts in the prior examination for the period September 1, 2012 to August 31, 2015. Our current examination found that the office did not correct this issue.

Our examination of 46 receipts disclosed the following deficiencies in the internal controls over receipts:

- The office did not record the Deputy Sheriff's Education and Training Surcharge fees into the case file at the time of collection. Instead, the fees were recorded as paid at the time the case was closed. The time lapses identified ranged from 6 to 958 days from the original receipt date to the recording date. Therefore, there were instances in which fees due the Commonwealth were held in the office's bank account for over two years.
- The computer generated receipts did not indicate the breakdown of the fee allocation or payment category. The computer generated receipts only indicated the total amount collected.
- The office could not provide us with detailed accounting records regarding the amount of Deputy Sheriff's Education and Training Surcharge fees collected on open case files and not yet recorded.

These conditions existed because the office failed to establish and implement an adequate system of internal controls over receipts as recommended in our prior examination report.

It should be noted that the testing of the receipts indicated that the total amount receipted equaled the total amount deposited. However, we were unable to verify if the amount on individual receipts was properly collected and recorded. Because of these issues, we could not determine if the Sheriff properly recorded, remitted, and reported all monies received and due to the Commonwealth.

A good system of internal controls ensures that:

- Receipts are properly recorded in the case file at the time of collection.
- Receipts indicate a breakdown of each fee allocation or payment category to ensure that all fees are collected.
- Accurate and complete accounting records are maintained in order to reconcile receipts with liabilities.

SHERIFF
ERIE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
SEPTEMBER 1, 2015 TO AUGUST 31, 2018

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

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

Management's Response

The County Officer responded as follows:

The recommendations have been taken under advisement. Alternative internal controls will be considered and implemented if found to be effective.

Auditor's Conclusion

This is a recurring finding. We strongly recommend that the office take all corrective actions necessary to comply with our recommendation. Failure to implement the recommended procedures significantly increases the potential for funds to be lost or misappropriated. During our next examination, we will determine if the office complied with our recommendation.

SHERIFF
ERIE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
SEPTEMBER 1, 2015 TO AUGUST 31, 2018

Finding No. 2 - Inadequate Segregation Of Duties - Recurring

We cited the issue of inadequate segregation of duties in the prior examination for the period September 1, 2012 to August 31, 2015. Our current examination found that the office did not correct this issue.

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

- Opening Mail.
- Preparing deposit slips.
- Reconciling the bank account.
- Reconciling validated deposit slips to the accounting records.
- Reconciling collections to accounting records.
- Approving disbursements.
- Preparing checks.
- Signing checks with only one signature required.
- Summarizing accounting records.

This condition existed because the office failed to establish and implement an adequate segregation of duties as recommended in the prior examination report.

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

In order to achieve adequate segregation of duties, one employee should not have total responsibility for cash operations and at the same time maintain the cash management accounting records. These duties should be segregated and rotated daily.

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

SHERIFF
ERIE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
SEPTEMBER 1, 2015 TO AUGUST 31, 2018

Finding No. 2 - Inadequate Segregation Of Duties - Recurring (Continued)

Recommendation

We strongly recommend that the office provide for greater segregation of duties. This can be done by additional cross-training of personnel and rotating cash management responsibilities. As an additional control, someone independent from the handling of cash and the accounting records should review the employees 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:

The recommendations have been taken under advisement. We will attempt to establish new changes to comply with the finding.

Auditor's Conclusion

This is a recurring finding. We appreciate the corrective actions included in the office's response. Failure to implement the recommended procedures significantly increases the potential for funds to be lost or misappropriated. During our next examination, we will determine if the office complied with our recommendation.

SHERIFF
ERIE COUNTY
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS
FOR THE PERIOD
SEPTEMBER 1, 2015 TO AUGUST 31, 2018

Summary Of Prior Examination Recommendations

During our prior examination, we recommended that the office:

- Establish and implement an adequate system of internal controls over receipts.
- Attempt to identify all existing liabilities associated with the bank account and take appropriate action. Any unidentified funds should be accounted for under normal escheat procedures. The office should ensure that reconciled cash equals unpaid obligations monthly.
- Establish and implement an adequate system of internal controls over voided receipts. All voided receipts should have proper documentation explaining the reason for the voids and all voids should be reviewed and approved by someone other than the person voiding the receipt.
- Provide for greater segregation of duties.

During our current examination, we noted that the office complied with our second and third bulleted recommendations. However, the office did not comply with our first, and fourth bulleted recommendations. Please see the current year findings for additional information.

SHERIFF
ERIE COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
SEPTEMBER 1, 2015 TO AUGUST 31, 2018

This report was initially distributed to:

Mr. Harrison Brooks
Commonwealth Accountant Manager
Office of Comptroller Operations
Accounts Receivable

Corporal Daniel McGough
Pennsylvania State Police
Firearm Records Unit

Mr. Derin Myers
Director
Office of Financial Management and Administration
Pennsylvania Commission on Crime and Delinquency

The Honorable John Loomis
Sheriff

The Honorable Fiore Leone
Chairperson of the Board of Commissioners

The Honorable Mary E. Schaaf
Controller

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.