

# ATTESTATION ENGAGEMENT

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## Sheriff

Luzerne County, Pennsylvania  
For the Period  
March 1, 2013 to February 28, 2017

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June 2018



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

Brian M. Szumski  
Sheriff  
Luzerne County  
Wilkes Barre, PA 18701

We have examined the accompanying statements of receipts and disbursements (Statements) of the Sheriff, Luzerne County, Pennsylvania (County Officer), for the period March 1, 2013 to February 28, 2017, 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.

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)

In our opinion, the Statements referred to above, for the period March 1, 2013 to February 28, 2017 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 a certain deficiency in internal control that we consider to be a material weakness.

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 deficiency listed below to be a material weakness:

- Inadequate Internal Controls Over The Bank Account - Recurring.

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 Statements 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*.

Independent Auditor's Report (Continued)

The examination finding contained in this report cites a condition that existed in the operation of the County Office during three previous engagement periods and was not corrected during the current examination period. The County Office must strive to implement the recommendations and corrective action 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, Luzerne 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

May 11, 2018

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SHERIFF  
 LUZERNE COUNTY  
 OFFICE OF COMPTROLLER OPERATIONS  
 STATEMENT OF RECEIPTS AND DISBURSEMENTS  
 FOR THE PERIOD  
 MARCH 1, 2013 TO FEBRUARY 28, 2017

Receipts:

Deputy Sheriff's Training and Education Surcharges	\$	537,748
Firearms License Validation System Account Fees		<u>11,820</u>
Total Receipts (Note 2)		549,568
Disbursements to Office of Comptroller Operations (Note 3)		<u>(549,568)</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 March 1, 2013 to February 28, 2017	\$	<u><u>-</u></u>

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

SHERIFF  
 LUZERNE COUNTY  
 PENNSYLVANIA STATE POLICE  
 STATEMENT OF RECEIPTS AND DISBURSEMENTS  
 FOR THE PERIOD  
 MARCH 1, 2013 TO FEBRUARY 28, 2017

Receipts:

Firearms License Validation System Account Fees (Note 2)	\$	14,948
Disbursements to Commonwealth (Note 3)		<u>(14,948)</u>
Balance due Commonwealth (County) (Note 4)		-
Examination adjustments		<u>-</u>
Adjusted balance due Commonwealth (County) for the period March 1, 2015 to February 28, 2017	\$	<u>-</u>

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

SHERIFF  
LUZERNE COUNTY  
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
MARCH 1, 2013 TO FEBRUARY 28, 2017

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>\$ 549,568</u>
Pennsylvania State Police	<u>\$ 14,948</u>



SHERIFF  
LUZERNE COUNTY  
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
MARCH 1, 2013 TO FEBRUARY 28, 2017

4. Balance Due Office Of Comptroller Operations and Pennsylvania State Police (County) For The Period March 1, 2013 To February 28, 2017

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

Joan Hoggarth served as division head of the Sheriff's Department during the examination period.

Luzerne County adopted a Home Rule Charter effective January 3, 2012. The position of an officeholder for the Sheriff was eliminated with the adoption of a Home Rule Charter. An appointed County Manager oversees all functions of the formerly elected Luzerne County row offices. The Sheriff function is under the Luzerne County's Division of Judicial Services and Records. A division head was appointed to oversee the Sheriff function.

SHERIFF  
LUZERNE COUNTY  
FINDING AND RECOMMENDATIONS  
FOR THE PERIOD  
MARCH 1, 2013 TO FEBRUARY 28, 2017

**Finding - Inadequate Internal Controls Over The Bank Account - Recurring**

We cited the issue of inadequate internal control over the bank account in the three prior examination reports, with the most recent for the period March 1, 2008 to February 28, 2013. Our current examination found that the office did not correct this issue.

Our current examination disclosed that there was no accountability over undisbursed funds in the real estate account. There was an adjusted bank balance of \$1,356,111.34 in the Real Estate Account as of February 28, 2017 without corresponding total liabilities reports that indicated to whom the monies were due.

This condition existed because the office failed to establish and implement an adequate system of internal controls over the bank account as recommended in the three prior examination reports.

Good internal accounting control procedures ensure that the ending adjusted bank balance is reconciled with liabilities on a monthly basis and any discrepancies are 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.

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

**Recommendations**

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

SHERIFF  
LUZERNE COUNTY  
FINDING AND RECOMMENDATIONS  
FOR THE PERIOD  
MARCH 1, 2013 TO FEBRUARY 28, 2017

**Finding - Inadequate Internal Controls Over The Bank Account - Recurring**

Management's Response

The County Officer responded as follows:

The inadequate accountability over the funds held in real Estate Account is attributed to the change of computer systems used to manage the cases associated with properties scheduled for Sheriffs sale. The processing of payments and deeds in the new system was unfamiliar to staff and did not coincide with the way that deeds and payments were processed in the old system. Since this finding was brought to the Sheriff's attention, all cases processed in the new system have been reviewed.

Auditor's Conclusion

This is a recurring finding. It is imperative that the office take all actions necessary to comply with our recommendations. During our next examination, we will determine if the office complied with our recommendations.

SHERIFF  
LUZERNE COUNTY  
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS  
FOR THE PERIOD  
MARCH 1, 2013 TO FEBRUARY 28, 2017

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.
- Establish and implement a procedure so that outstanding checks are reviewed monthly to determine if there are any outstanding checks.
- Transmit the Commonwealth's portion of revenue as required by the Pennsylvania Office of Comptroller Operations.
- Attempt to identify all existing liabilities associated with the office bank account and take appropriate action.

During our current examination, we noted that the office complied with our first three bulleted recommendations. However, the office did not comply with our fourth bulleted recommendation. Please see the current year finding for additional information.

SHERIFF  
LUZERNE COUNTY  
REPORT DISTRIBUTION  
FOR THE PERIOD  
MARCH 1, 2013 TO FEBRUARY 28, 2017

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 Brian M. Szumski**  
Sheriff

**The Honorable Joan Hoggarth**  
Judicial Services and Records Director

**The Honorable Tim McGinley**  
Chairperson of the Luzerne County Council

**The Honorable Michelle A. Bednar**  
Controller

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://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](mailto:news@PaAuditor.gov).