

ATTESTATION ENGAGEMENT

Sheriff

Fayette County, Pennsylvania
For the Period
March 1, 2016 to August 31, 2016

August 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

The Honorable James B. Custer
Sheriff
Fayette County
Uniontown, PA 15401

We attempted to examine the accompanying statements of receipts and disbursements (Statements) of the Sheriff, Fayette County, Pennsylvania (County Officer), for the period March 1, 2016 to August 31, 2016, 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.

As discussed in finding No. 1, poor receipt practices prevented the auditors from determining if the Commonwealth received and timely remitted the correct amount for Deputy Sheriff's Education and Training Surcharge fees. We were unable to satisfy ourselves by other examination procedures; therefore, we determined that management's lack of control over the proper recording of receipts restricted the scope of our examination of the Statements.

Because of the restriction on the scope of our examination discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether the Statements referred to above present, in all material respects, the receipts made on behalf of the Commonwealth for the period March 1, 2016 to August 31, 2016 in conformity with the criteria set forth in Note 1.

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 attempted 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.

Independent Auditor's Report (Continued)

Our consideration of internal control over reporting on the Statements was for the limited purpose of attempting to express 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.
- Inadequate Accountability Over Funds Held In Escrow.
- Inadequate Segregation Of Duties.

As part of obtaining reasonable assurance about whether the Statements are free from material misstatement, we attempted to perform 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*. However, if the scope of our work had been sufficient to enable us to express an opinion on the statements, instances of noncompliance or other matters may have been identified or reported herein.

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, Fayette 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

July 25, 2018

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SHERIFF
FAYETTE COUNTY
OFFICE OF COMPTROLLER OPERATIONS
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
MARCH 1, 2016 TO AUGUST 31, 2016

Receipts:

Deputy Sheriff's Training and Education Surcharges (Note 2)	\$ 15,260
Disbursements to Office of Comptroller Operations (Note 3)	<u>(15,260)</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, 2016 to August 31, 2016	<u>\$ -</u>

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

SHERIFF
 FAYETTE COUNTY
 PENNSYLVANIA STATE POLICE
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 MARCH 1, 2016 TO AUGUST 31, 2016

Receipts:

Firearms License Validation System Account Fees (Note 2)	\$	2,537
Disbursements to Commonwealth (Note 3)		<u>(2,537)</u>
Balance due Commonwealth (County) (Note 4)		-
Examination adjustments		<u>-</u>
Adjusted balance due Commonwealth (County) for the period March 1, 2016 to August 31, 2016	\$	<u>-</u>

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

SHERIFF
FAYETTE COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
MARCH 1, 2016 TO AUGUST 31, 2016

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 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>\$ 15,260</u>
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Pennsylvania State Police	<u>\$ 2,537</u>
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SHERIFF
FAYETTE COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
MARCH 1, 2016 TO AUGUST 31, 2016

4. Balance Due Office Of Comptroller Operations (County) For The Period September 1, 2013 To February 29, 2016

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

5. County Officers Serving During Examination Period

James B. Custer served as Sheriff during the period March 1, 2016 to August 31, 2016.

SHERIFF
FAYETTE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
MARCH 1, 2016 TO AUGUST 31, 2016

Finding No. 1 - Inadequate Internal Controls Over Receipts

The Sheriff's office initially records all collections for requested services as advance costs and deposits the funds into the general account on the day received. The advance costs are estimated costs associated with the filing of the service requested and it includes both Commonwealth and County amounts. The office identifies and records the actual costs/fees assessed to the individual cases after the service is performed and the case is then closed. At the end of the month, all funds that were identified and recorded as the Deputy Sheriff's Education and Training Surcharge fees are transferred into a separate account where they are held until they are remitted semi-annually to the Commonwealth.

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

- The office did not allocate the Deputy Sheriff's Education and Training Surcharge fees to the appropriate account at the time the fees were collected. The fees were not identified as Commonwealth funds until the case was closed. Therefore, there were instances in which the Deputy Sheriff's Education and Training Surcharge fees due the Commonwealth were held in the office's General bank account for over a year.
- 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 as advance costs.
- The office could not provide us with computer generated detailed accounting records regarding the amount of Deputy Sheriff's Education and Training Surcharge fees collected. In addition, the office could not provide us with a computer generated escrow report detailing the amount of the surcharge fees that were collected on open case files and held in the general fund. Please see Finding No. 2.

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 Deputy Sheriff's Education and Training Surcharge fees on individual receipts were properly collected and recorded at the time of filing. Because of these issues, we could not determine if the Sheriff properly recorded, remitted, and reported all monies received and due to the Commonwealth.

SHERIFF
FAYETTE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
MARCH 1, 2016 TO AUGUST 31, 2016

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

A good system of internal controls ensures that:

- All monies collected are properly allocated, recorded and disbursed timely.
- 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.

Without a good system of internal controls over funds received by the office, the possibility of funds being lost or misappropriated increases significantly.

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

Recommendation

We 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:

While I acknowledge the written findings and oral comments of this most recent audit, I am not currently in a position to agree to disagree with the final report in such a short period of time on an audit that took six months to complete. I will note that I was only in office for the last eight months of the reporting period.

However, as discussed during the exit conference, I will work closely with our controller's office and solicitor to comply with the findings and recommendations. As you are aware, there are current software issues and union labor issues that make it difficult [for] some of the discrepancies as they are today but we will continue to work on both going forward.

Auditor's Conclusion

We appreciate the officeholder's efforts to correct these issues. We strongly recommend that the office take all corrective actions necessary to comply with our recommendation. The risk of lost or misappropriated funds continues to exist as long as these deficiencies exist. During our next examination, we will determine if the office complied with our recommendation.

SHERIFF
FAYETTE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
MARCH 1, 2016 TO AUGUST 31, 2016

Finding No. 2 - Inadequate Accountability Over Funds Held In Escrow

Our examination disclosed that there was no accountability over funds held in escrow. As stated in Finding No 1, the office could not provide us with a computer generated escrow report detailing the amount of the surcharge fees that were collected on open case files and not yet recorded. There was an adjusted bank balance of \$399,825.76 as of August 31, 2016 without a corresponding liabilities report indicating to whom the monies were due.

Because of this issue, we could not determine if the Sheriff properly recorded, remitted, and reported all monies received and due to the Commonwealth.

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 cash management, the possibility of funds being lost or misappropriated increases significantly.

These conditions existed because the office failed to establish and implement adequate system of internal controls over funds held in escrow.

Recommendations

We recommend that the office 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. Furthermore, we recommend that the office should ensure that reconciled cash equals unpaid obligations monthly.

SHERIFF
FAYETTE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
MARCH 1, 2016 TO AUGUST 31, 2016

Finding No. 2 - Inadequate Accountability Over Funds Held In Escrow (Continued)

Management's Response

The County Officer responded as follows:

While I acknowledge the written findings and oral comments of this most recent audit, I am not currently in a position to agree to disagree with the final report in such a short period of time on an audit that took six months to complete. I will note that I was only in office for the last eight months of the reporting period.

However, as discussed during the exit conference, I will work closely with our controller's office and solicitor to comply with the findings and recommendations. As you are aware, there are current software issues and union labor issues that make it difficult [for] some of the discrepancies as they are today but we will continue to work on both going forward.

Auditor's Conclusion

We appreciate the officeholder's efforts to correct these issues. We strongly recommend that the office take all corrective actions necessary to comply with our recommendations. The risk of lost or misappropriated funds continues to exist as long as these deficiencies exist. During our next examination, we will determine if the office complied with our recommendations.

SHERIFF
FAYETTE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
MARCH 1, 2016 TO AUGUST 31, 2016

Finding No. 3 - Inadequate Segregation Of Duties

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

- Making voided transaction adjustments.
- Preparing deposit slips.
- Posting disbursements to the disbursement journal.
- Reconciling the bank account.
- Reconciling collections to accounting records, validated deposit slips and/or receipts.
- Preparing checks.
- Summarizing accounting records.
- Authorized to sign checks.

Further, the officeholder does not review the employee's work pertaining to cash handling and accounting records.

A good system of internal controls requires 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. 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.

This condition existed because office personnel were not cross-trained. Additionally, duties involving the handling of cash and maintaining accounting records were not rotated daily, weekly or monthly.

SHERIFF
FAYETTE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
MARCH 1, 2016 TO AUGUST 31, 2016

Finding No. 3 - Inadequate Segregation Of Duties (Continued)

Recommendation

We 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 the cash. As an alternative and/or additional control, someone independent from the handling of cash and the 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:

While I acknowledge the written findings and oral comments of this most recent audit, I am not currently in a position to agree to disagree with the final report in such a short period of time on an audit that took six months to complete. I will note that I was only in office for the last eight months of the reporting period.

However, as discussed during the exit conference, I will work closely with our controller's office and solicitor to comply with the findings and recommendations. As you are aware, there are current software issues and union labor issues that make it difficult [for] some of the discrepancies as they are today but we will continue to work on both going forward.

Auditor's Conclusion

We appreciate the officeholder's efforts to correct these issues. We strongly recommend that the office take all corrective actions necessary to comply with our recommendation. The risk of lost or misappropriated funds continues to exist as long as these deficiencies exist. During our next examination, we will determine if the office complied with our recommendation.

SHERIFF
FAYETTE COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
MARCH 1, 2016 TO AUGUST 31, 2016

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 James Custer
Sheriff

The Honorable Vincent A. Vicites
Chairperson of the Board of Commissioners

The Honorable Joseph M. Torsella
Pennsylvania State Treasurer

The Honorable Scott Abraham
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.