



COUNTY OF LEHIGH  
OFFICE OF THE CONTROLLER

LEHIGH COUNTY GOVERNMENT CENTER  
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GLENN ECKHART  
COUNTY CONTROLLER

THOMAS GROGAN  
DEPUTY CONTROLLER

**TO:** Final Report Distribution  
**FROM:** Glenn Eckhart, County Controller G.E  
**DATE:** March 21, 2019  
**RE:** Sheriff's Office Audit

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We have completed a financial audit of the Sheriff's Office for the calendar year ended December 31, 2017. Our audit report number 19-4 is attached.

The results of our audit are:

- The automated accounting system does not adequately support operations.
- Errors made by requesters for service would be significantly reduced with E-filing.
- Real estate sale conditions should be consistently enforced.
- Controls over confiscated weapons storage and tracking have been significantly improved.

Attachment

AUDITS/SHERIFF

COUNTY OF LEHIGH, PENNSYLVANIA

SHERIFF'S OFFICE

*Financial Audit*  
*for the Calendar Year Ended December 31, 2017*

REPORT NO. 19-4

COUNTY OF LEHIGH, PENNSYLVANIA  
SHERIFF'S OFFICE

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COUNTY OF LEHIGH, PENNSYLVANIA  
SHERIFF'S OFFICE

***Background\****

Office Activities

The Lehigh County Sheriff's Office is led by Sheriff Joseph N. Hanna. The Office of the Sheriff consists of 5 Divisions. These Divisions are Operations, Civil, Security, Warrants, and Courts/Transportation. The Office of Sheriff in Lehigh County serves all Court Papers for the Court of Common Pleas and Domestic Relations, investigates, locates and apprehends wanted parties as well as transporting over 11,000 individuals to Court proceedings. The Sheriff is responsible for security and safety in Two Courthouses, a Government Center which houses Executive and Legislative branches of County Government as well as the County Human Services Department and intake.

\*Source: 2019 Budget Narrative



# COUNTY OF LEHIGH

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Joseph N. Hanna, Sheriff  
Lehigh County Sheriff's Office  
Lehigh County Courthouse  
Room 253  
455 West Hamilton Street  
Allentown, PA 18101-1614

### ***Report on Financial Statements***

We have audited the accompanying Statements of Receipts, Disbursements and Changes in Fund Balance of the Sheriff's Office for the calendar year ending December 31, 2017 (hereinafter referred to as the Schedules) and the related notes to the Schedules.

### ***Management's Responsibility for the Schedules***

Management is responsible for the preparation and fair presentation of these Schedules in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedules that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these Schedules based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedules. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Schedules, whether due to human error or fraud. In making those risk assessments, the auditor considers internal control relevant to management's preparation and fair presentation of the Schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of management's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluating the overall presentation of the Schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion on the Schedules***

In our opinion, the Schedules referred to above present fairly, in all material respects, the financial activity arising from cash transactions of the Sheriff's Office for the calendar year ending December 31, 2017, in accordance with the U.S. generally accepted accounting principles. However, we noted control deficiencies or other management issues that are described in the accompanying "*Schedule of Audit Findings and Recommendations*" and "*Schedule of Prior Audit Findings and Recommendations*".

As discussed in Note 1, the Schedules were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Also, as discussed in Note 1, the Schedules present only the Sheriff's Office's financial activity and does not purport to, and does not, present fairly the assets, liabilities, and results of operations of the County of Lehigh for the calendar year ending December 31, 2017 in conformity with the cash receipts and disbursements basis of accounting.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2019 on our consideration of the Sheriff's Office's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering management's internal control over financial reporting and compliance.



GLENN ECKHART  
County Controller

March 18, 2019  
Allentown, Pennsylvania

Audited by: Thomas Schweyer and Bethany DiMatteo

xc: Phillips Armstrong, County Executive  
Board of Commissioners  
Edward Hozza, Director of Administration  
Robert Kennedy, CIO, Information Technology  
Timothy Reeves, Fiscal Officer  
Tara Schantz, Clerical Supervisor, Sheriff's Office

COUNTY OF LEHIGH, PENNSYLVANIA  
SHERIFF'S OFFICE

*Statement of Receipts, Disbursements, and  
Change in Fund Balance for the  
Year Ended December 31, 2017  
(NOTE 1)*

Receipts:		
Real Estate Sales	(NOTE 2)	\$16,958,823
Service Requests	(NOTE 3)	419,890
Personal Property Sales	(NOTE 4)	144,451
Gun Permits and Licenses	(NOTE 5)	125,579
Grants and Reimbursements	(NOTE 6)	88,805
Other		<u>235</u>
Total Receipts		<u>17,737,783</u>
Disbursements:		
Real Estate Sale Distributions	(NOTE 2)	20,878,605
County of Lehigh	(NOTE 7)	1,331,512
Commonwealth of Pennsylvania	(NOTE 8)	142,766
Personal Property Sale Distributions	(NOTE 4)	85,929
Gun Permit Refunds		3,662
Service Request Refunds		<u>476</u>
Total Disbursements		<u>22,442,950</u>
Excess of Disbursements Over Receipts		(4,705,167)
Fund Balance, January 1	(NOTE 9)	<u>7,951,358</u>
Fund Balance, December 31	(NOTE 9)	<u>3,246,191</u>

The accompanying notes are an integral part of this statement.

COUNTY OF LEHIGH, PENNSYLVANIA  
SHERIFF'S OFFICE

*Notes to Financial Statement  
For the Year Ended December 31, 2017*

**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Sheriff's Office financial activity is a part of the County of Lehigh's reporting entity, included in the general fund, and is subject to annual financial audit by external auditors. This report is only for internal audit purposes.

**B. Basis of Accounting**

The accounting records of the County of Lehigh and the Statement of Receipts, Disbursements and Change in Fund Balance for the year ended December 31, 2017 are maintained on the cash receipts and disbursements basis of accounting. Under this basis of accounting, revenue is recognized when cash is received and disbursements are recognized when paid. This differs from Generally Accepted Accounting Principles (GAAP) which requires the accrual basis of accounting.

**2. Real Estate Sales and Distributions**

Real estate sales represent deposits paid when real estate cases are filed with the Sheriff's Office and proceeds from sheriff sales of real estate. Distributions are made from sale proceeds to satisfy liens filed against the real estate (mortgages, taxes, water and sewer, etc.), Sheriff Office fees, and refunds.

**3. Service Requests**

Service Requests are fees paid to the Sheriff's Office for delivery of documents related to civil court cases.

**4. Personal Property Sales and Distributions**

Personal Property sales represent deposits paid when personal property cases are filed with the Sheriff's Office and proceeds from sheriff sales of personal property. Distributions are made from sale proceeds to satisfy civil judgments for unpaid judgments (services, rent, etc.), Sheriff Office fees, and refunds.

**5. Gun Permits and Licenses**

Gun Permits and Licenses are fees paid for permits to carry concealed weapons and licenses to sell firearms and precious metals.

**6. Grants and Reimbursements**

Grants and reimbursements include fees paid for security services provided to external (non-Lehigh County) parties and funding from the Commonwealth of Pennsylvania for deputy training and equipment.

**7. County of Lehigh**

Disbursements to the County of Lehigh are transfers of net revenues from the Sheriff's Office to the County for the following:

Sheriff sale and service request fees	\$1,126,498
Gun permits and licenses	115,974
Grants, reimbursements, and other	<u>89,040</u>
Total	\$1,331,512

**8. Commonwealth of Pennsylvania**

Disbursements to the Commonwealth of Pennsylvania are for the state's share of service fees, gun permits, and licenses.

**9. Fund Balance**

Fund balances are comprised of the following components:

	<u>January 1</u>	<u>December 31</u>
Undisbursed proceeds from Real Estate Sales	\$7,822,998	\$3,100,397
Undisbursed proceeds from Pers Prop Sales	80,099	88,885
State's share of fees, permits, and licenses	<u>48,261</u>	<u>56,909</u>
Total	\$7,951,358	\$3,246,191



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GLENN ECKHART  
COUNTY CONTROLLER

THOMAS GROGAN  
DEPUTY CONTROLLER

Joseph N. Hanna, Sheriff  
Lehigh County Sheriff's Office  
Lehigh County Courthouse  
Room 253  
455 West Hamilton Street  
Allentown, PA 18101-1614

We have audited, in accordance with the auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller of the United States; the accompanying Statements of Receipts, Disbursements and Changes in Fund Balance of the Sheriff's Office for the calendar year ending December 31, 2017 (hereafter referred to as the Schedules) and have issued our report thereon dated March 18, 2019.

### ***Internal Control over Financial Reporting***

In planning and performing our audit of the Schedules, we considered the Sheriff's Office internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedules, but not for the purpose of expressing an opinion on the effectiveness of management's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's Office's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention to those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Significant deficiencies or material weaknesses may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Sheriff's Office's Schedules are free of material misstatement, we performed tests of its 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 financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, 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*. Our audit also included sufficient and appropriate tests for fraud, waste and abuse and we included in our report any material (either quantitatively or qualitatively) instances we noted however, our audit procedures would not necessarily identify all instances of fraud, waste and abuse that may be reportable.

### ***Management's Response to the Audit***

We noted certain matters that we reported to management of the Sheriff's Office in a separate section titled "*Schedule of Audit Findings and Recommendations*" and "*Schedule of Prior Audit Findings and Recommendations*". If provided, the Sheriff's Office's response to our audit is included in this report. We did not audit the Sheriff's Office's response and, accordingly, we do not express an opinion on it.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. This report is intended solely for the information and use of management, and Phillips Armstrong, County Executive; Edward Hozza, Director of Administration; Board of Commissioners; Robert Kennedy, CIO, Information Technology; and Timothy Reeves, Fiscal Officer and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



GLENN ECKHART  
County Controller

March 18, 2019  
Allentown, PA

COUNTY OF LEHIGH, PENNSYLVANIA  
SHERIFF'S OFFICE

*Schedule of Audit Findings and Recommendations*

1. **Sheriff Office operations hindered by antiquated accounting system**

**Condition:** The automated accounting system does not adequately support operations. Many functions require manual tracking putting a strain on limited clerical resources. In addition, management's ability to keep track of time sensitive events is hampered.

Examples of system limitations:

- Case management requires accessing paper files. As of 12/31/17, there were over 1,100 open real estate and personal property cases.
- Undistributed case balances for real estate and personal property cases are tracked manually.
- Warrant service fee assessments are calculated manually.

An effective automated accounting would eliminate the need for manual tracking and calculations. In addition, case management would be fully automated.

**Recommendation:** A third party software product has been identified as a potential solution and is in use in several other Pennsylvania Sheriff Offices. Management is currently evaluating this solution with the Information Technology department. We encourage management continue pursuit of new software in order to establish an implementation date in the very near future.

2. **There is a 10% error rate in requests for service made by Plaintiff's attorneys**

**Condition:** Ten percent of requests for service of civil case documents are rejected and returned due to incomplete documentation and/or incorrect payment amounts. The error rate puts an additional burden on the staff who have to return the incorrect submissions and re-handle the corrected requests. Additionally, all receipts should be deposited instead of returned to ensure an adequate audit trail of financial transactions.

An effective process would result in minimizing incorrect submissions.

**Recommendation:** Management should pursue with the Information Technology Department the feasibility of converting service requests to e-file. In this format, submissions could be reviewed for accuracy and correct amount before accepting the request and payment. Rejections would be sent electronically with a corresponding explanation.

### 3. Some funds are co-mingled

**Condition:** Receipts collected at the front counter are put into a shared cashbox. When sharing a cashbox management loses its ability to trace cash differences to specific personnel. Each cashier should have their own cashbox or cash drawer to ensure accountability of funds by employee.

**Recommendation:** Separate locking cashboxes or drawers should be provided for each employee collecting receipts. Funds should stay with that employee until the end of day drawer reconciliation with management. This allows management to identify cash overages or shortages by employee.

COUNTY OF LEHIGH, PENNSYLVANIA  
SHERIFF'S OFFICE

**Schedule of Prior Audit Findings and Recommendations**  
**(Report #15-16 issued November 19, 2015 to Sheriff Ronald W. Rossi)**

**1. Inadequate oversight over sheriff sales of real estate sales**

**Condition:** There were two areas in which inadequate oversight should be addressed by management: sale proceeds not distributed in a timely manner and non-compliance with conditions of sale.

**Recommendation:** Specific staff should be assigned to manage and ensure timely distribution of sale proceeds. Non-compliance to conditions of sale should be approved in writing by the plaintiff or their attorney

**Current Status:** Management has significantly reduced the backlog of undistributed funds from prior years' sales. During our testing of 2017 we found several instances in which written approvals to conditions of sale exceptions could not be located.

**2. Weaknesses in Accounting, Data Entry, and Financial Administration**

**Condition:** Weaknesses included excessive void receipts, unsigned or inadequate documentation for licenses and permits, and undisbursed funds from prior year personal property cases.

**Recommendation:** Management should determine the reasons for the voids and implement corrective action, increase oversight of documentation review, and monitor personal property case status on a regular basis.

**Current Status:** The issues of excessive voids and inadequate documentation have been addressed. Management is working prior years' personal property case dispositions.

**3. Poor Internal Controls Over Confiscated Weapons Inventory**

**Condition:** Controls over tracking and storage of confiscated weapons should be improved.

**Recommendation:** Improve controls, centralize storage, and pursue options to destroy unclaimed weapons.

**Current Status:** Controls over weapons storage and tracking has been significantly improved.

**4. Inadequate Agreements with Outside Parties**

**Condition:** Security services provided to third parties should be supported by written agreements between the parties.

**Recommendation:** Written agreements should be in place before any security services are provided.

**Current Status:** Management has adequately addressed this issue.

# OFFICE OF THE SHERIFF

Lehigh County Pennsylvania

**Joseph N. Hanna**  
*Sheriff*

**Troy L. Evans**  
*Chief Deputy*



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P: 610-782-3175  
F: 610-820-3368

To: Glenn Eckhart, County Controller

From: Joseph N. Hanna, Sheriff

A handwritten signature in dark ink, appearing to be "JN Hanna", is written over the printed name of the Sheriff.

Date: March 18, 2019

Re: Audit Report Response

Controller Eckhart, enclosed herein is my response to your financial audit report for the calendar year ending December 31, 2017. I would be remiss if I did not acknowledge the exemplary work of Thomas Schweyer, Thomas Grogan, Bethany DiMatteo and Stephen Berndt. Their professionalism was ever evident and their patience with my staff served to promote a comprehensive audit.

## Sheriff's Office hindered by antiquated accounting system

Shortly after I took office as Sheriff, I recognized a number of operational deficiencies, most of which would be rectified with the implementation of a records management system. Your audit has reinforced my findings and your recommendation is consistent with our pursuit to fully automate our operations.

## There is a 10% error rate in requests for service made by Plaintiff's attorney's

We are currently in discussion with the Information Technology Department to explore implementation to the e-file format. There exists a complexity to the service process requests which will require a closer examination of potential ancillary costs prior to process automation.

Inadequate oversight over Sheriff Sales of Real Estate (2015 Audit Findings)


We have currently implemented additional oversight to enhance accountability on all documents. Full implementation of a records management system would serve to reduce or eliminate the current minimal error rate.

Poor Internal Controls Over Confiscated Weapons Inventory (2015 Audit Findings)

In addition to increasing our confiscated weapons storage facility, we are planning to enhance accountability by instituting bar code tracking inclusive in the records management system.

In closing, I extend my gratitude to you and your staff for your diligent work.

Respectfully,



Joseph N. Hanna  
Sheriff  
County of Lehigh