



Lehigh County
Pennsylvania

OFFICE OF THE CONTROLLER

Mark Pinsley, MBA

COUNTY CONTROLLER

Nanton John, CFE

DEPUTY CONTROLLER

TO: Final Report Distribution
FROM: Mark Pinsley, County Controller
DATE: August 10, 2022
RE: 2020 Sheriff's Office Audit

A handwritten signature in dark ink, appearing to be "MP", located to the right of the "FROM:" line.

We have completed our financial audit of the Sheriff's Office for calendar year 2020. Our report number 22-08 is attached. We sincerely thank the Sheriff's Office Operations staff for their assistance and cooperation during the audit. In addition, we wish to congratulate Sheriff Hanna and his team for achieving Pennsylvania State Accredited Certification during 2021.

The results of our audit are:

- Undisbursed funds from prior sheriff sales require distribution to the Commonwealth of Pennsylvania.

See "*Schedule of Audit Findings and Recommendations*" for further discussion and details.

Please feel free to contact me if you have any questions.

Attachment

AUDITS/SHERIFF



COUNTY OF LEHIGH, PENNSYLVANIA

SHERIFF'S OFFICE

*Financial Audit
For the Calendar Year Ended December 31, 2020*

AUDIT REPORT NO. 22-08

COUNTY OF LEHIGH, PENNSYLVANIA
SHERIFF'S OFFICE

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COUNTY OF LEHIGH, PENNSYLVANIA
SHERIFF'S OFFICE

Background

Operations*:

The Lehigh County Sheriff's Office is led by Sheriff Joseph N. Hanna. The Office of 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.

The Lehigh County Sheriff's Office is committed to meeting the ever-increasing responsibilities and challenges in today's world; advancing the office into the 21st century while meeting the mandate to do so with fiscal responsibility for the residents of Lehigh County. Alternative Funding Sources are aggressively sought by the Office of the Sheriff on a continual basis.

Accreditation:

The Sheriff's Office completed the process of Pennsylvania State Accredited Certification on April 8, 2021. This vigorous process of accreditation included preparatory and official on-site assessments by the Pennsylvania Police Chiefs Association.

*Source: 2020 Budget Narrative



Lehigh County
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Joseph 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, 2020 (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, 2020, 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*".

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, 2020 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 August 5, 2022 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.



MARK PINSLEY
County Controller

August 5, 2022
Allentown, Pennsylvania

Audited by: Nanton John and Joseph Buick

xc: Phillips Armstrong, County Executive
Board of Commissioners
Edward Hozza, Director of Administration
Robert Kennedy, CIO, Information Technology
Timothy Reeves, Chief Fiscal Officer
David Faust, Chief Deputy Sheriff
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, 2020
(NOTE 1)*

Receipts:

Real Estate Sales	(NOTE 2)	\$6,579,686
Service Requests	(NOTE 3)	249,380
Gun Permits and Licenses	(NOTE 4)	202,719
Personal Property Sales	(NOTE 5)	84,242
Grants and Reimbursements	(NOTE 6)	31,342
Other		<u>140</u>

Total Receipts		<u>7,147,509</u>
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Disbursements:

Real Estate Sale Distributions	(NOTE 2)	8,061,828
County of Lehigh	(NOTE 7)	634,300
Commonwealth of Pennsylvania	(NOTE 8)	86,600
Personal Property Sale Distributions	(NOTE 5)	61,617
Gun Permit Refunds		5,300
Service Request Refunds		<u>964</u>

Total Disbursements		<u>8,850,609</u>
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Excess of Disbursements Over Receipts		(1,703,100)
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Fund Balance, January 1	(NOTE 9)	<u>2,920,399</u>
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Fund Balance, December 31	(NOTE 9)	<u>1,217,299</u>
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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, 2020*

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, 2020 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. 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.

5. 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.

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	\$414,995
Gun permits and licenses	187,823
Grants, reimbursements, and other	<u>31,482</u>
Total	\$634,300

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	\$2,777,576	\$1,081,921
Undisbursed proceeds from Pers Prop Sales	101,406	97,105
State's share of fees, permits, and licenses	<u>41,417</u>	<u>38,273</u>
Total	\$2,920,399	\$1,217,299



OFFICE OF THE CONTROLLER

Mark Pinsley, MBA
COUNTY CONTROLLER

Nanton John, CFE
DEPUTY CONTROLLER

Joseph 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, 2020 (hereafter referred to as the Schedules) and have issued our report thereon dated August 5, 2022.

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*". 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, Chief 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.



MARK PINSLEY
County Controller

August 5, 2022
Allentown, PA

COUNTY OF LEHIGH, PENNSYLVANIA
SHERIFF'S OFFICE

Schedule of Audit Findings and Recommendations

1. Undistributed Balances

Condition #1 Real Estate: Undistributed real estate balances have decreased significantly since 2017 (\$3m at 12/31/2017 compared to \$1m at 12/31/2020). Of the 231 total cases at 12/31/2020, 164 pertained to years prior to 2019. Based on testing, many of the older cases were identified as needing to be escheated, or in some cases, written off.

Condition #2 Personal Property: Undistributed personal property balances have increased since 2017 (\$84,833 at 12/31/2017 compared to \$97,105 at 12/31/2020). Of the 441 total cases at the end of 2020, 208 pertained to years prior to 2019. Based on testing, many of the older cases were identified as needing to be escheated, or in some cases, written off.

Recommendation: It is recommended that the following steps be performed to comply with the Pennsylvania Unclaimed Property Act:

- The Sheriff's Office should identify all undisbursed real estate and personal property cases that have been adjudicated and are three years and older. A review should be performed to validate that a reasonable attempt has been made to locate the recipient.
- A comprehensive list of all cases where a reasonable attempt to locate the receipt was performed should be forwarded to the Law department/Solicitor. These cases should be reviewed to determine whether they are subject to Pennsylvania's Unclaimed Property Act.
- All cases subject to Pennsylvania's Unclaimed Property Act should be provided to the Office of Fiscal Affairs to be properly escheated with the state, or in some instances written-off.
- Procedures should be created to ensure adjudicated undistributed real estate and personal property balances remain current and are escheated in a timely manner.

COUNTY OF LEHIGH, PENNSYLVANIA
SHERIFF'S OFFICE

Schedule of Prior Audit Findings and Recommendations
(Report #19-4 issued March 18, 2019)

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.

Current Status: Management continued their pursuit of a third-party software solution which began in 2017, and has implemented SoftCode early in the second quarter of 2022. Subsequent audits will test the adequacy of operational controls with the implementation and utilization of SoftCode.

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.

Current Status: Forms and information necessary to assist in completing service requests were added to the department's website following audit recommendations. During 2020, the control log used to document returned checks continued to be maintained and testing revealed an 8% error rate.

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.

Current Status: Recommendation implemented.

OFFICE OF THE SHERIFF

Lehigh County Pennsylvania

Joseph N. Hanna

Sheriff

David A. Faust

Chief Deputy - Administration

Troy Evans

Chief Deputy - Operations



455 W. Hamilton Street

Allentown, PA 18102

P: 610-782-3175

F: 610-820-3368

To: Mark Pinsley, County Controller

From: Joseph N. Hanna, Sheriff

Date: August 5, 2022

Re: Audit Report Response

Controller Pinsley, enclosed herein please find my response to your financial audit report for the calendar year December 31, 2020. Good government depends on a very finite process of checks and balances not only for fiscal integrity, but optimum efficiency. I commend and extend my personal thanks to you, Nanton P. John, and Joseph Buick. Mr. John and Mr. Buick were exemplary in their professionalism and their patience with my staff which served to promote a comprehensive audit. The recommendations you have provided are in the implementation phase at this writing.

Undistributed Balances

Pursuant to your recommendation to escheat and/or write-off real estate cases, our Office personnel has been in the process of reviewing each outstanding case and preparing these for closure. In conducting our due diligence, our Office has exhausted internal efforts to locate recipients who are entitled to receive funds.

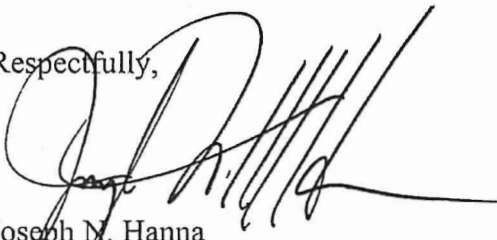
Following your recommendations, a list of each of these cases is being prepared for submittal to the Department of Law for review. Pending the determination of the Department of Law, our Office is prepared to escheat and/or write-off these real estate/personal property cases with the Fiscal Office in Lehigh County.

Personnel responsible for accounting will provide the Office Manager with Real Estate and Personal Property ledgers prepared monthly. This measure is necessary to ensure cases are expeditiously closed.

There is a 10% error rate in requests for services made by Plaintiff's attorneys

Between the years 2017 and through 2021, the Sheriff's Office pursued implementation of a Records Management System (Softcode). This initiative was recognized and supported by the Controller's Office 2019 audit. Subsequently, the Sheriff's Office launched Softcode in early 2022 following delays which were caused by the Global Pandemic. Softcode eliminated our written control log and ultimately created a data-based checks and balance system. This system streamlines the refund process and removes the need for documents to be rejected and/or returned as a result of incorrect payment amounts.

Respectfully,



Joseph M. Hanna
Sheriff
County of Lehigh