



COUNTY OF LEHIGH
OFFICE OF THE CONTROLLER

LEHIGH COUNTY GOVERNMENT CENTER
17 SOUTH SEVENTH STREET
ALLENTOWN, PA 18101-2400
(610) 782-3082 FAX: (610) 871-2897

GLENN ECKHART
COUNTY CONTROLLER

JOHN A. FALK
DEPUTY CONTROLLER

TO: Final Report Distribution
FROM: Glenn Eckhart, County Controller G.E.
DATE: November 19, 2015
RE: Sheriff's Office Audit

We have completed a financial audit of the Sheriff's Office for the calendar year ended December 31, 2014. Our audit report number 15-16 is attached.

The results of our audit are:

- We commend Sheriff Ronald W. Rossi for the years of exemplary service to the County of Lehigh in managing the Sheriff's Office – providing warrant services, courthouse security, prisoner transport, and on-going support to local law enforcement. We also want to thank all the Sheriff's Office personnel for their continuing cooperation with the Controller's Office.
- In contrast to the exemplary law enforcement duties performed, significant changes are recommended in our report as to management oversight of accounting-related duties and operations. Due to inadequate management oversight over accounting, data entry, financial management functions and record keeping and clerical staff supervision we recommend the Office of Fiscal Affairs provide management oversight over the Sheriff's Office clerical staff functions.

Attachment

AUDITS/SHERIFF

COUNTY OF LEHIGH, PENNSYLVANIA

SHERIFF'S OFFICE

*Financial Audit
for the Calendar Year Ended December 31, 2014*

REPORT NO. 15-16

COUNTY OF LEHIGH, PENNSYLVANIA
SHERIFF'S OFFICE

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COUNTY OF LEHIGH, PENNSYLVANIA
SHERIFF'S OFFICE

*Background**

The Office of the Sheriff serves all original civil, criminal and protection from abuse documents issued by the Court of Common Pleas. The office also provides security for the County's courtrooms, judges and buildings. The Sheriff's Office transports prisoners, holds sales to collect debts on both real and personal property, investigates and apprehends fugitives and bail jumpers and preserves the peace at riots and civil strike injunctions.

In addition, the Sheriff's Office issues permits to carry a concealed weapon within the Commonwealth of Pennsylvania. These permits are issued only after an appropriate background investigation is completed.

*Source: Lehigh County Web Site



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JOHN A. FALK
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Ronald W. Rossi, Sheriff
Lehigh County Sheriff's Office
Lehigh County Courthouse
455 West Hamilton Street
Allentown, PA 18101-1614

We have audited the accompanying Statement of Receipts, Disbursements and Changes in Fund Balance of the Sheriff's Office for the calendar year ending December 31, 2014 as listed in the Table of Contents. The financial statements are the responsibility of the Sheriff's Office management. Our responsibility is to express an opinion on the Statement of Receipts, Disbursements and Changes in Fund Balance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the generally accepted government auditing 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements 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 financial statements 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, 2014 in conformity with the cash receipts and disbursements basis of accounting.

In our opinion, the Statement of Receipts, Disbursements and Changes in Fund Balance 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, 2014, on the basis of accounting described in Note 1. However, we noted control deficiencies or other management issues that are described in the accompanying "*Schedule of Audit Findings and Recommendations*".

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015 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* and should be considered in assessing the results of our audit.



GLENN ECKHART
County Controller

November 13, 2015
Allentown, Pennsylvania

Audited by: Thomas Schweyer, Suraj Naik and Zachary Effting

xc: William Berndt, Court Administrator
Board of Commissioners
Kenneth Coia, Chief Deputy
Robert Kennedy, Chief Information Officer
Daniel McCarthy, County Administrator
Thomas Muller, County Executive
Timothy Reeves, Fiscal Officer
The Honorable Edward Reibman, President Judge

COUNTY OF LEHIGH, PENNSYLVANIA
SHERIFF'S OFFICE

*Statement of Receipts, Disbursements, and
Change in Fund Balance for the
Year Ended December 31, 2014
(NOTE 1)*

Receipts:		
Real Estate Sales	(NOTE 2)	\$12,968,035
Writs of Service	(NOTE 3)	334,519
Personal Property Sales	(NOTE 4)	170,861
Gun Permits and Licenses	(NOTE 5)	103,498
Grants and Reimbursements	(NOTE 6)	62,729
Other		<u>195</u>
Total Receipts		<u>13,639,837</u>
Disbursements:		
Real Estate Sale Distributions	(NOTE 2)	8,236,537
County of Lehigh	(NOTE 7)	928,796
Commonwealth of Pennsylvania	(NOTE 8)	138,773
Personal Property Sale Distributions	(NOTE 4)	97,922
Gun Permit Refunds		2,074
Writs of Service Refunds		<u>1,686</u>
Total Disbursements		<u>9,405,788</u>
Excess of Receipts Over Disbursements		4,234,049
Fund Balance, January 1	(NOTE 9)	<u>2,865,638</u>
Fund Balance, December 31	(NOTE 9)	<u>7,099,687</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, 2014*

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, 2014 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. Writs of Service

Writs of Service are fees paid to the Sheriff's Office for the delivery of documents issued by the Court of Common Pleas.

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

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 writs of service fees	\$ 769,395
Gun permits and licenses	96,476
Grants, reimbursements, and other	<u>62,925</u>
Total	\$ 928,796

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	\$2,699,538	\$6,932,677
Undisbursed proceeds from Pers Prop Sales	112,360	113,770
State's share of fees, permits, and licenses	<u>53,740</u>	<u>53,240</u>
Total	\$2,865,638	\$7,099,687



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Lehigh County Courthouse
455 West Hamilton Street
Allentown, PA 18101-1614

We have audited the financial statements of the Sheriff's Office for the calendar year ended December 31, 2014 and have issued our report thereon dated November 13, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the generally accepted government auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

In planning and performing our audit, we considered the Sheriff's Office's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Statement of Receipts, Disbursements and Changes in Fund Balance, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's Office's internal control over financial reporting. 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 misstatements 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 by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such as there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

As part of obtaining reasonable assurance about whether the Sheriff's Office's financial statements 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*.

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 the findings identified in our audit are included in this report. We did not audit the Sheriff's Office's response and, accordingly, we do not express an opinion on it.

This report is intended solely for the information and use of management and other affected county offices 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.

A handwritten signature in black ink, appearing to read 'Glenn Eckhart', written in a cursive style.

GLENN ECKHART
County Controller

November 13, 2015
Allentown, Pennsylvania

COUNTY OF LEHIGH, PENNSYLVANIA
SHERIFF'S OFFICE

Schedule of Audit Findings and Recommendations

1. Inadequate oversight over sheriff sales of real estate sales

Condition: There are several areas in which inadequate oversight should be addressed by management.

- Status of prior years' sales;
As of 12/31/14, there were 183 open cases in which there was no activity since 2013 and earlier (some cases date back to 2003). Undisbursed funds associated with these cases total \$303,977.

Receipts by year:	2009 and earlier	\$132,144
	2010	40,834
	2011	4,001
	2012	89,233
	2013	<u>37,765</u>
	Total	\$303,977

(Total undistributed real estate sale proceeds as of 12/31/14 amounted to \$6,932,677)

Case activity should be monitored on an ongoing basis to ensure funds are distributed to the appropriate parties on a timely basis. In addition, funds tied to dormant cases may be subject to state escheatment rules.

- Compliance with conditions of sale - 5 out of 89 real estate sales sampled did not comply with conditions of sale (10% of bid amount paid at sale, remaining balance due in 30 days):

- Case 1 - remaining balance paid in 53 days instead of 30 days
- Case 2 - remaining balance paid in 55 days instead of 30 days
- Case 3 - remaining balance paid in 48 days instead of 30 days
- Case 4 - remaining balance paid in 60 days instead of 30 days
- Case 5 - \$500 paid at sale, instead of \$5,600 (10% of bid)

Allowing exceptions to sale conditions could result in claims of inequitable treatment by participants in sheriff sales.

Recommendation: Specific management staff should be assigned to monitor (current and dormant) real estate case financial activity to ensure timely distribution of sale proceeds and compliance with state escheat laws. However, since management's expertise is in security and law enforcement, a more effective option may be to transfer real estate case management oversight to the County Fiscal Office.

Any exceptions to conditions of sale should be approved in writing by the plaintiff or their legal representative with a copy retained in the case file.

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

Condition: The following conditions were observed during 2014:

Cash Handling:

- Over 100 voided receipts in both 2013 and 2014. Over one-half were identified as errors in data entry.
- 40 daily deposits in 2014 for RE and PP do not match the corresponding days' receipts. Receipt journals are run at the end of every month.
- No backup documentation exists for the requested reimbursement from the state for deputies' training.
- Receipts for security services reimbursed by the client are not entered into computer system by Sheriff's personnel.
- Fees for the Sheriff's Office are entered into CPCMS for criminal warrants by one individual. No other individual reviews the amounts entered for accuracy.

Gun Permits / Licenses:

- Three of 18 licenses issued for firearms were not signed by the Sheriff.
- In KEA, the names of 75 individuals receiving gun permits in 2014 did not match the PICS database.
- 13 of 19 active jewelers identified in the County do not have an active license to deal precious metals.

Personal Property:

- For Personal Property, cases over 10 years old are "active" with open money but most of the cases were closed as paperwork was not properly submitted.
- Supporting documentation and calculations for Personal Property are not included in the physical files maintained in the office. Amounts cannot be traced to a source document.

Recommendations:

Cash Handling:

- Voids should be analyzed, addressed with staff, and prevented in the future.
- The receipts journals should be run daily and compared to the daily deposits.
- The required documentation for deputy education reimbursements should include employee salary, mileage, and any additional amount requested by the office to the state.
- All advices of transmittal to the Fiscal office should have sufficient backup to verify the source of the monies and the amount remitted.
- All amounts entered by the office into CPCMS should be reviewed by another individual.

Gun Permits / Licenses:

- Originals and backup of licenses should include the signature. Any other document requiring signatures of the Sheriff should be signed.
- Names in the Sheriff's files should match the name used when performing the background check in PICS.
- The office should request payment for the annual precious metals license from any entity that deals precious metals in the county.

Personal Property:

- Cases over five years old should be reviewed regularly to determine if the case is still open.

Files for Personal Property must include all supporting documentation for the amounts

3. Poor Internal Controls Over Confiscated Weapons Inventory

Condition: Internal controls over weapons confiscated as a result of Protection from Abuse (PFA) Orders require improvement as the weapons are not sorted by any particular metric, the weapons are stored in several locations, and periodic inventory reconciliations are not performed. The Sheriff's Office has accumulated a large quantity of confiscated weapons due to the continuously changing laws and the failure to destroy weapons held beyond their legal requirement.

Recommendation: Confiscated weapons should be stored in one single location and sorted in an appropriate method (for instance by weapon type or by case year). Moreover, inventory reconciliations should be performed on a regular basis to ensure that all weapons are accounted for. The Sheriff's Office should seek legal assistance in determining if a court order could be obtained to destroy inventory on hand that currently exceeds statutory requirements.

4. Inadequate Agreements with Outside Parties

Condition: Contract with US Marshals was run through the Sheriff's Office with no notification to Fiscal beyond reimbursements made via advices of transmittal. No contract exists for security services provided in the courthouse for an individual providing court-ordered services. The office never determined whether it could be reimbursed for services provided.

Recommendation: Contract formation and execution should follow Lehigh County policies and procedures.



RONALD W. ROSSI
SHERIFF

Sheriff's Office County of Lehigh

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KENNETH J. COLA
Chief Deputy

TARA L. SCHANTZ
Clerical Supervisor

RICHARD B. SOMACH, Esq.
Solicitor

To: Thomas Schweyer
FROM: Ronald W Rossi, Sheriff
DATE: November 13, 2015
RE: Audit Report Response

The Sheriff's Office has completed their review of the Controller's financial audit report for the Calendar year ended December 31, 2014.

Attached find the Sheriff's response to the financial findings and recommendations made by the Controller's Office.

1. Inadequate oversight over Sheriff Sales of Real Estate:

All old cases are being reviewed and closed out as quickly as possible. Management is aware of these cases and a system for the tracking of all documentation regarding a timely disbursement of each file has been implemented. Numerous attempts to implement a Records Management System has been requested and denied numerous times as recent as the 2016 Budget.

Undistributed Real Estate sale proceeds as of 12/31/14 amounted \$6,932,677:

Undistributed Real Estate is an ongoing process. As of this writing the pending balance of Real Estate is approx. \$2.5 million.

Compliance with the Conditions of Sale:

2013-C-2682, 2010-C-2330, and 2013-C-325 had extension request letters in their files. Copies of these letters were sent to you via e-mail on October 14, 2015.

2013-C-847 does not have an extension letter in the file but the real estate clerks are confident we received one but it is missing from the file. Our standard procedure is a letter is required to change any conditions.

2013-C-892, the question in this case was why we only received a \$500.00 deposit. We actually received a \$6,000 deposit. There were issues with two of the receipts that were entered. Receipts were never re-entered until Jan 16th 2014. The bookkeeper states this was on the January 2014 desk audit. This issue was addressed and since the discovery back in January 2014, receipts are no longer voided unless accompanied by proof of re-entry.

2009-N-359, the issue was why we collected money on a \$1.00 no bid sale that the plaintiff requested we deed to another party. At the time of this sale we were still collecting and paying the taxes. Since the property was not deeded to the plaintiff, state and local taxes are also charged to file the deed. Per Attorney Richard Somach, the Sheriff's Office no longer collects and pays taxes on \$1.00 sales.

Weakness in Accounting, Data Entry, and Financial Administration:

All voided receipts were explained, corrected and accounted for. Steps are being taken to minimize the need to void receipts. Clerks are reminded take the extra time to ensure the receipts are correct.

Receipt journals for Real Estate and Personal Property are now being run on a daily basis.

Copies of backup documentation for requested reimbursement from the state for Deputy's training will be maintained from this date forward.

The County specifically requires the reimbursement for security services be sent to Fiscal with an Advice of Transmittal. We did previously attempt to enter these into the computer but were advised to stop.

The clerical supervisor will oversee costs that are entered into Kea by the warrant secretary.

Gun Permits/Licenses:

The license and application are signed by the Sheriff, than forwarded to the Pa State Police. In the future we will ensure that all applications and licenses are signed.

Due to the requirements of the Pa State Police, we are required to issue the license in the name on the application even if their name is hyphenated on their operator license.

We issue precious metals licenses to the businesses that apply. Policing precious metals dealers is not the responsibility of the Sheriff's Office.

Personal Property:

As Attorney's are responding to Affidavit's of Settlement, cases are being closed out as quickly as possible. Documentation regarding the close out of each file is being maintained.

Poor Internal Controls Over Confiscated Weapons Inventory:

As part of the 2016 Budget, a designated area where all the weapons can be stored has been requested and approved. In conjunction with locating the weapons in one specific area, an inventory is planned along with routine checks. Requests have been made to destroy all weapons retained over the statutory requirements.

Inadequate Agreements with Outside Parties:

US Marshall Agreement has previously been terminated. Requests have been made to have a contract for reimbursement of security be prepared for Cope assignments.

This Office appreciates the hard work invested by the Controller's Office and will miss the good working relationship we have had over the years. I am sure the future Sheriff will maintain the same relationship.

Respectfully Submitted,


Ronald W. ROSSI