

The Office of the Beaver County Sheriff

Audit Report
For the Period
January 1, 2008 Through December 31, 2009

David A. Rossi
Beaver County Controller

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DAVID A. ROSSI
CONTROLLER



WILLIAM CALHOON
CHIEF DEPUTY CONTROLLER
ALBERT A. TORRENCE
SOLICITOR

BEAVER COUNTY COURTHOUSE
THIRD STREET – BEAVER, PENNSYLVANIA 15009-2196
TELEPHONE: Area Code 724-728-5700
FAX: 724-728-1024

July 9, 2010

Mr. George David
Beaver County Sheriff
Beaver County Courthouse
810 Third Street
Beaver, PA 15009

Dear Mr. David:

We have audited the records of the Beaver County Sheriff for the period of January 1, 2008 through December 31, 2009 and issued our report thereon dated June 24, 2010.

We conducted our audit in accordance with generally accepted governmental auditing standards. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial records are free of material misstatement.

Based upon our review of the financial records, we have made the following observations and recommendations as detailed in this report.

A handwritten signature in cursive script that reads 'David A. Rossi'.

David A. Rossi
Beaver County Controller

Scope:

The scope of this audit encompasses the period from January 1, 2008 to December 31, 2009.

Objectives:

Through the completion of internal control questionnaires, control tests, substantive tests, and observation, the following audit objectives were accomplished for this audit:

- Prepare a financial statement for year reviewed
- Evaluate controls over the Sheriff's office checking accounts, change fund, and petty cash
- Ensure that funds are deposited timely
- Ensure that funds received are disbursed to the proper payees
- Ensure that funds held in escrow are adequate and properly documented
- Ensure that funds receipted are applied properly to the case
- Evaluate controls over the DARE Program and its administration
- Ensure that funds due to the Commonwealth are remitted correctly and in a timely manner
- Ensure that void receipts are voided for a valid reason
- Ensure that proper documentation is maintained in the case files
- Evaluate the controls over cash
- Evaluate the controls over purchasing and the administration of the budget
- Evaluate controls over general office procedures

**OFFICE OF THE BEAVER COUNTY SHERIFF
STATEMENT COMPILATION
2008**

Annual Amounts

Beginning Cash	404,685.59
Receipts	
General Account	14,311,331.71
Surcharge Account	85,340.00
Total Receipts	14,396,671.71
Disbursements	
For the Commonwealth	(474,339.56)
For All Other Payees	(13,843,894.24)
For The County	(83,830.00)
Total Disbursements	(14,402,063.80)
Adjustments	
Ending Balance	\$ 399,293.50

***Information Obtained From Infocon Reports

**OFFICE OF THE BEAVER COUNTY SHERIFF
STATEMENT COMPILATION
2009**

Annual Amounts

Beginning Cash	399,293.50
Receipts	
General Account	2,397,420.01
Surcharge Account	86,950.00
Total Receipts	2,484,370.01
Disbursements	
For the Commonwealth	(85,640.00)
For All Other Payees	(1,916,638.63)
For The County	(426,038.35)
Total Disbursements	(2,428,316.98)
Adjustments	
Ending Balance	\$ 455,346.53

***Information Obtained From Infocon Reports

**OFFICE OF THE SHERIFF
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1, 2008 THROUGH DECEMBER 31, 2009**

Note 1: Summary of Significant Accounting Policies - The Sheriff's Office reports on the cash basis of accounting. Under the cash basis of accounting, revenues are recognized when received and expenses recognized when the disbursement is made.

The financial statements are a combined presentation of two bank accounts: the General Bank Account and the Surcharge Bank Account. These accounts are through Huntington National Bank. Transfers were made on a monthly basis from the General Bank Account to the Surcharge Bank Account for costs due to the Commonwealth of Pennsylvania every six (6) months for deputies Training and Education Fund.

Note 2: General Account Receipts/Disbursement Categories - The Sheriffs' Office received money for deposit into the General Bank Account for the following: gun applications, gun duplicates, gun permits, complaints, warrants, complaint in mortgage foreclosure, writ to join additional defendant, civil action case, protection from abuse, writ of revival, license to sell firearms, license to sell precious metals, declaration of taking notification/offer, vehicle impoundments, funeral transporting, accident reports, parking violations, tax sale services, advanced payments, deposits to hold real estate, fingerprinting fees / Jail, D.A.R.E. Program – consulting fees, deputy overtime services, and the balances due on real estate, writs of executions, writs of possession, writs with interrogatories, writs of seizure, payments on property sold, money made on sheriff's sales, property claim writs, and additional costs incurred.

Disbursements were made from this account for the following: refund payments, towing costs, costs due to the county and transfers to the surcharge account. Additionally, disbursements were made for case filings (prothonotary/recorder of deeds), tax payments (county, local, claims department), advertising costs, disbursements to financial institutions for land sales and plaintiff disbursements.

Note 3: Surcharge Account Receipts/Disbursement Categories - The Sheriffs' Office received money into the Surcharge Bank Account from the General Bank Account. This money represents fees collected that will be disbursed to the Commonwealth of Pennsylvania for the Deputies Education Fund. These funds are disbursed to the Commonwealth of Pennsylvania two times each year along with the required reports.

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July 9, 2010

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Report On Internal Control Structure

We have audited the records of the Beaver County Sheriff for the period January 1, 2008 to December 31, 2009 and have issued our report thereon dated June 24, 2010.

We conducted our audit in accordance with generally accepted auditing standards and Governmental 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 records are free of material misstatement.

In planning and performing our audit of the Office of the Beaver County Sheriff for the period January 1, 2008 to December 31, 2009 we considered the office's internal control structure to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and the office's compliance with applicable regulations and not to provide assurance on the internal control structure.

The management of the office is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statement in accordance with prescribed policies. Because of

inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, future reliance on any evaluation of the structure, past or current, is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation. Additionally we assessed control risk for the internal control structure except for matters of compliance. Compliance with applicable laws and regulations was considered when assessing control risk for the internal control structure.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the office's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement.

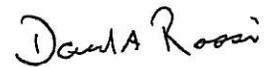
A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce, to a relatively low level, the risk that material errors or irregularities affecting the financial statements being audited may occur and not be timely detected by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses as defined above. We noted the following reportable conditions:

- **County Purchasing Policy Circumvented**
- **Interest Earned On Surcharge Bank Account Should Be Remitted To County**
- **Manual Receipting Procedures Are Not In Place In case Of Computer Downtime**
- **Daily Receipt/Transfer Registers Should Be Reviewed Daily**
- **Excessive Void Receipts Due To Typographical Errors**
- **Receipts Are Not Issued Immediately For All Transactions At Counter**
- **Deputy Taking Deposit To Bank Should Acknowledge Receipt Of Funds By Initialing Daily Receipt/Transfer Register**
- **Petty Cash Is Not Reconciled On A Monthly Basis**
- **Old Items Remain In Escrow**

For further elaboration of these weaknesses, refer to the "Observations and Recommendations" section of this audit report.

This report is intended solely for the information and use of management, the office of the Controller, and others within the administration. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

A handwritten signature in cursive script that reads "David A. Rossi".

David A. Rossi
Beaver County Controller

Observations and Recommendations

OBSERVATION #1:

Budget/Expenditures

Some expenses were charged to incorrect General Ledger accounts:

<u>Date</u>	<u>Vendor</u>	<u>Account Charged</u>	<u>Suggested Account</u>	<u>Amount</u>
1/07/09	Aquatic Gardens	100-2450.7122 – Other Expenses	100-2450.7260 – Narcotic Investigation	61.99
7/14/09	American Red Cross	100-2450.6201 – Dues	100-2450.6203 – Training	15.00

The following expenditures or series of expenditures were for greater than \$500; however, no purchase orders were processed as required by Beaver County Purchasing Policy:

<u>Date</u>	<u>Vendor</u>	<u>Account Charged</u>	<u>Amount</u>
**5/27/09	Iris Companies	100-2450.6601.1607	98.47
**5/27/09	Iris Companies	100-2450.6601.1607	200.81
**5/27/09	Iris Companies	100-2450.6601.1607	478.14
**6/16/09	Standard Typewriter	100-2450.6602	245.00
**6/16/09	Standard Typewriter	100-2450.6602	420.00
**10/14/09	Uneeda Tire Co.	100-2450.6414.1405	375.00
**10/14/09	Uneeda Tire Co.	100-2450.6414.1405	217.00

**Represents series of purchases that were invoiced separately on same day.

The following expenditures or series of expenditures were for greater than \$500; however, Purchase Orders were obtained after purchases were received thereby resulting in "Confirming Purchase Orders".

<u>Invoice Date</u>	<u>Vendor</u>	<u>P.O. Date</u>	<u>Amount</u>
11/26/08	Commonwealth of PA – DEP	3/23/09	550.00
1/01/09	Beaver Valley Revolver League	1/20/09	560.00
1/13/09	Mastercast Bullet Co.	1/20/09	662.58
1/15/09	Reliable Motors	2/6/09	802.13
1/21/09	Reliable Motors		<u>-184.95</u>
			617.18
4/6/09	Wolfe Marketing	4/17/09	1,163.00
4/15/09	Joseph R. Junak's Auto Repair	5/11/09	762.00
4/16/09	Interstate Communications	6/10/09	1,826.00
4/21/09	Pollocks	4/27/09	1,295.00
5/19/09	Creative Product Sourcing Inc.	9/2/09	759.01
7/8/09	Commonwealth of PA	7/23/09	3,500.00
8/26/09	Interstate Communications	9/8/09	698.62

RECOMMENDATIONS:

It is recommended that more care be given when selecting appropriate General Ledger expense accounts for vendor payments.

It is recommended that Purchase Orders be obtained for purchases costing \$500.00 or greater and for series of purchases made on the same date from the same vendor per the County Purchasing Policy. Confirming Purchase Orders are to be used in emergency situations only. If there is a County Resolution for services with a vendor no Purchase Order is necessary. The Resolution Number should be written on the invoice before submission to the Controller's Office for payment. The County Purchasing Policy should be reviewed and closely adhered to in the future.

OBSERVATION #2:

Surcharge Bank Account

Upon review of the Sheriff's Surcharge Bank Account it was discovered that in July of 2008 the Sheriff's office went from a non-interest bearing account with ESB Bank to an interest bearing account with Huntington National Bank. Total interest earned in 2008 was \$55.01 and interest earned in 2009 was \$10.48 leaving a total of \$65.49 sitting in this bank account. The Sheriff's office was unaware of what do to with this money. After discussion with the Sheriff's Office and Rob Cyphert of the Commissioners Office the Auditor contacted the PA State Comptroller's Office where Surcharge Fees are submitted semi-annually to see if they require interest money earned on such separate bank accounts be remitted to them. The PA State Comptroller's Office advised that they do not require interest be remitted to them due to there being no such wordage in Act 43 and 66 of 1984.

RECOMMENDATION:

It is recommended that the interest of \$65.49 earned on the Sheriff's Surcharge Bank account with Huntington National Bank between 2008 and 2009 and future interest earned on this account be remitted to the County and deposited into the General Fund. The Sheriff's Office should contact the Commissioner's Office as to the appropriate General Fund account number to deposit interest into. The PA State Comptroller's Office does not require this money be remitted to them due to no wordage of such in Act 43 and 66 of 1984.

OBSERVATION #3

Receipting / Daily Deposit

In reviewing the downtime Manual Receipting procedures with Louise Battalini it was noted that no Manual Receipt Book is being utilized for computer system downtime. No Receipt is being generated until the computer system is back up and running. No gun permits are being issued during computer downtime since it is necessary to utilize the system in order to authorize gun permits.

In 2009 several instances were noted where the sequential numbering of Receipts on the Daily Receipt/Transfer Register were out of order. Some Receipt numbers were appearing on the following days Register. After discussion with Sheriff's office and their Infocon representative no conclusive reason was determined.

In reviewing Voided Receipts it was noted that there were 235 Voided Receipts in 2008 while the total number of actual Receipts was 14,305, and that there were 216 Voided Receipts in 2009 while the total number of actual Receipts was 14,431. Upon reviewing the reason for these voids it appears the volume of these voids are due to typographical errors.

RECOMMENDATION:

It is recommended that the Sheriff's office implement a Manual Receipt Book for use during computer system downtime especially for any transactions handled at the counter. Gun Permits would be an exception to this.

It is recommended that the Sheriff's Office review each Daily Receipt/Transfer Register to verify that the Beginning Receipt Number is sequential to the prior day's Ending Receipt Number and then confirm sequential numbering of all Receipts on Register. Any discrepancies found should be immediately researched as well as noted in the Daily Cash Book.

It is recommended that more care be given in the issuance of Receipts by office personnel to cut down on the number of Voided Receipts per year.

OBSERVATION #4

Cash Controls

Receipts for transactions made at the counter are only being generated at the time of service for cash payments or if customer requests a Receipt.

The individual preparing the daily bank deposit is not the same person taking deposit to the bank. A Deputy from the Sheriff's office normally delivers the deposit to the bank.

RECOMMENDATION:

It is recommended that Receipts be generated at the time of any transactions performed at the counter and a copy provided to customer. Checks should be endorsed at this time as well.

It is recommended that the Deputy verifies and acknowledges amount received for deposit by initialing the Daily Receipt/Transfer Register before taking deposit to bank. Each time money changes hands during the receipting process it is a good internal control to verify amounts.

OBSERVATION #5:

Petty Cash

The previous Audit for 2006 – 2007 determined there was an excessive amount of cash held in the petty cash fund (\$3,790.90) especially since credit cards are now used for travel over 100 miles from the courthouse. The Chief Deputy is trying to reduce the balance down to \$1,500.00. At present there is roughly \$2,138.00 in the petty cash fund.

A Petty Cash Log Book as well as a computer spreadsheet is being utilized; however, no monthly reconciliation is being done to ensure proper accountability of funds.

RECOMMENDATION:

It is recommended that the Deputy Sheriff reconcile the Petty Cash Fund on a monthly basis. This procedure will aid in the timely discovery of errors. The Auditor provided the Deputy Sheriff with a Monthly Reconciliation Form and requested a copy of this Form be included in the monthly packet submitted to the Controller's Office.

OBSERVATION #6:

Escrow Account

Review of the Escrow Report revealed that activities as far back as 1999 are still open on certain cases. Sheriff staff members determined that most of these activities should be cleared from the Escrow. There were several cases that needed investigated further to determine what action if any should be taken and a few outstanding Refunds were to be addressed as well.

RECOMMENDATION:

It is recommended that the Detailed Escrow Report be reviewed on a monthly basis to insure that old dated items are addressed and that all monies related to closed cases are disbursed to the proper entities. A copy of the Detailed Escrow Report should be submitted to the Controller's office on a monthly basis.

An exit conference was held on July 8, 2010 at the Office of the Beaver County Sheriff for the purpose of discussing the items presented in this report. Those in attendance were:

The Office of the Beaver County Sheriff

George David – Sheriff
Louise Battalini

Beaver County Controller's Office

Shannon L. Hebb – Internal Auditor

The results of the audit were discussed in their entirety during this conference.

A form has been enclosed with this report to be completed by the Sheriff. This form restates all observations noted in the audit. The Sheriff is requested to complete the corrective action section for each observation. If no corrective action has been taken, please state this. Return this form to the Office of the Controller within thirty days of receipt. This form will be incorporated and become a part of this report. As part of the Office of the Controller's normal reporting procedure, a copy of this report along with your responses will be distributed to the Beaver County Information Technologies Department for publication to the Controller's section of the County Website.

**RESPONSES TO
OBSERVATIONS AND RECOMMENDATIONS**

OBSERVATION #1:

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4/15/09	Joseph R. Junak's Auto Repair	5/11/09	762.00
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RECOMMENDATIONS:

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CORRECTIVE ACTION:

THE SHERIFF'S DEPARTMENT TAKES EXTREME CARE TO PLACE AN INVOICE IN THE CORRECT LINE ITEM. HAVING JUST TWO (2) INVOICES OUT OF HUNDREDS RECEIVED, CHARGED TO AN INCORRECT LINE ITEM, IN A TWO YEAR PERIOD, IS NOT WORTHY OF CONDEMNATION.

THE PURCHASE ORDERS WERE DISCUSSED WITH MS. HEBB. SOME ARE UNDER GOVERNMENT CONTRACTS. REPAIRS TO THE DEPUTIES CARS ARE UNPREDICTABLE. HOWEVER, IF WE KNOW IN ADVANCE, A P.O. IS OBTAINED. THE D.A.R.E. SUPPLIES ARE ALSO ORDERED AT ONE TIME, AND THAT'S WHY IT'S GREATER THAN \$500.00.

OBSERVATION #2:

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CORRECTIVE ACTION:

IT WAS RECOGNIZED THAT A YEARLY DEPOSIT WILL BE MADE OF ALL INTEREST RECEIVED FROM THE SURCHARGE ACCOUNT IN DECEMBER.

OBSERVATION #3

Receipting / Daily Deposit

In reviewing the downtime Manual Receipting procedures with Louise Battalini it was noted that no Manual Receipt Book is being utilized for computer system downtime. No Receipt is being generated until the computer system is back up and running. No gun permits are being issued during computer downtime since it is necessary to utilize the system in order to authorize gun permits.

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It is recommended that more care be given in the issuance of Receipts by office personnel to cut down on the number of Voided Receipts per year.

CORRECTIVE ACTION:

- 1. WE HAVE NOT ENCOUNTERED DOWNTIME THAT WOULD DISRUPT THE COLLECTION OF ANY MONIES IN THE OFFICE. WE WILL RECEIPT ANY MONIES, HOWEVER, IF THIS SHOULD OCCUR.**
- 2. WE WILL CHECK THE SEQUENTIAL ORDER OF THE DAILY RECEIPTS.**
- 3. WE VOID RECEIPTS ONLY WHEN ABSOLUTELY NECESSARY.**

OBSERVATION #4

Cash Controls

Receipts for transactions made at the counter are only being generated at the time of service for cash payments or if customer requests a Receipt.

The individual preparing the daily bank deposit is not the same person taking deposit to the bank. A Deputy from the Sheriff's office normally delivers the deposit to the bank.

RECOMMENDATION:

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It is recommended that the Deputy verifies and acknowledges amount received for deposit by initialing the Daily Receipt/Transfer Register before taking deposit to bank. Each time money changes hands during the receipting process it is a good internal control to verify amounts.

CORRECTIVE ACTION:

THIS OFFICE WILL COMPLY WITH THIS REQUEST.

OBSERVATION #5:

Petty Cash

The previous Audit for 2006 – 2007 determined there was an excessive amount of cash held in the petty cash fund (\$3,790.90) especially since credit cards are now used for travel over 100 miles from the courthouse. The Chief Deputy is trying to reduce the balance down to \$1,500.00. At present there is roughly \$2,138.00 in the petty cash fund.

A Petty Cash Log Book as well as a computer spreadsheet is being utilized; however, no monthly reconciliation is being done to ensure proper accountability of funds.

RECOMMENDATION:

It is recommended that the Deputy Sheriff reconcile the Petty Cash Fund on a monthly basis. This procedure will aid in the timely discovery of errors. The Auditor provided the Deputy Sheriff with a Monthly Reconciliation Form and requested a copy of this Form be included in the monthly packet submitted to the Controller's Office.

CORRECTIVE ACTION:

THIS OFFICE WILL COMPLY WITH THIS REQUEST.

OBSERVATION #6:

Escrow Account

Review of the Escrow Report revealed that activities as far back as 1999 are still open on certain cases. Sheriff staff members determined that most of these activities should be cleared from the Escrow. There were several cases that needed investigated further to determine what action if any should be taken and a few outstanding Refunds were to be addressed as well.

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CORRECTIVE ACTION:

THIS OFFICE WILL COMPLY WITH THIS REQUEST.