

**The Councils of Governments of Beaver and Butler Counties  
and H.E.L.P., Inc**  
For the period January 2001 through December 2004

**Richard W. Towcimak  
Beaver County Controller**

---

---

## Table of Contents

Audit Letter.....	2
Audit Scope and Objectives.....	3
Board of Directors.....	4
Statements of Revenues and Expenses.....	5
Report on Internal Control Structure.....	15
Observations.....	16

RICHARD W. TOWCIMAK  
CONTROLLER



VINCENT LaVALLE  
DEPUTY CONTROLLER  
ROBERT LEWIS, JR.  
SOLICITOR

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

September 1, 2006

Beaver County Board of Commissioners  
Beaver County Courthouse  
Beaver, PA 15009

We have reviewed the financial records of the Councils of Governments of Beaver and Butler Counties (COG) and H.E.L.P., Inc. (HELP) which were located in conference room #202 of the Cranberry Township Municipal Building. These records were made available to us with the indication that they contained all the available records from the period of January 1, 2001 through December 31, 2004. Based upon these records we have issued our report thereon dated September 1, 2006.

Because a complete set of financial data was not found, the financial statements contained herein were developed during the review using the available information. Invoices, bank statements, some computer and manual ledger books, notations and memos were examined to determine the classification of receipts and disbursements. Based on the examination of these items, judgments were used to classify categories and therefore the financial statements may or may not be reliable.

Based upon our review, we have made the following observations as detailed in this report.

Richard W. Towcimak  
Beaver County Controller

## Scope and Objectives

### Audit Scope:

January 1, 2001 through December 31, 2004

### Audit Objectives:

The following objectives were performed during the audit:

- Prepare an inventory listing of COG and HELP files located in conference room #202 of the Cranberry Township Municipal Building
- Review board minutes
- Review checks, invoices, and financial records and prepare annual statements of accounts for COG and HELP
- Review grant income administered by Beaver County and received by COG and HELP
- Review grant income received by COG and HELP which did not pass through Beaver County
- Review rental income received by HELP
- Determine dues collected by COG
- Review any pension fund contributions
- Review any other income received by COG and HELP
- Review funds transfers between COG and HELP
- Review documentation to support disbursements out of the COG and HELP bank accounts
- Review payroll data

**Beaver Butler County Council of Governments  
Board Of Directors  
(2003)**

Sharon A. Sambol, Executive Director  
Bettelou Bertoncello  
Donald Brandow  
John Cermak  
Mary Elizabeth McDade  
Donald Paisley  
Carol Sambol  
Dorothy Trimmer

**H.E.L.P., Inc.  
Board of Directors  
(2003)**

Sharol Sambol, Executive Director  
Mary Elizabeth McDade  
Sherry Williams  
Donald Paisley  
Michael Alston  
John Cermak  
Dorlissa Murray  
Sister Michelle Prah  
Minne Robertson  
Carol Sambol  
Sam Siple

COG  
Statement of Revenues and Expenses  
For the Year Ending December 31, 2001

Beginning Balance		\$ 89,049.91
Income		
Grant Income	133,958.00	
Beaver County Contribution	105,084.48	
Network Services	45,106.10	
Dues	43,325.00	
Contribution to pension fund	10,127.37	
Bicycle Grant	1,894.00	
Seminar Income	1,145.00	
CDL Services	1,120.00	
PA State Association of Boroughs Dividend	83.08	
COG Income	<u>83.08</u>	
		341,843.03
Disbursements		
Payroll		
Net Payroll	(108,443.91)	
Payroll Taxes Paid	(58,767.85)	
Health Insurance	(15,733.45)	
Pension	(3,256.87)	
Insurance and Bonding	(2,291.00)	
Temporary Employees	(1,030.00)	
Life Insurance	<u>(583.31)</u>	
		(190,106.39)
Computer / Equipment and Software	(104,894.51)	
Utilities	(36,277.79)	
Professional Services	(12,708.20)	
Airbag Service	(9,575.00)	
Office Equipment	(8,259.70)	
Travel	(8,010.61)	
HELP	(6,605.14)	
Supplies	(5,439.10)	
Petty Cash	(4,806.52)	
Repairs & Maintenance	(4,016.36)	
Printing	(2,469.06)	
Postage	(2,196.38)	
Rent	(1,800.00)	
Advertising	(1,166.52)	
Christmas Party	(1,037.79)	
Permits & Registration	(950.00)	
Bike Helmets (Reimbursed from BV COG 2003)	(699.00)	
Dues and Subscriptions	(524.44)	
Martin Luther King Event	(500.00)	
Bank fees	(10.03)	
Credit Card - Unexplained	(7,440.86)	
Director - Unexplained	<u>(5,000.00)</u>	
Total Disbursements		<u>(414,493.40)</u>
Ending Balance		<u>\$ 16,399.54</u>

**COG**  
**Statement of Revenues and Expenses**  
**For the Year Ending December 31, 2002**

Beginning Balance		\$ 16,399.54
Income		
Network Services	158,044.39	
Grant Income	154,459.00	
Beaver County Contribution	49,215.79	
Dues	38,775.00	
BV COG	7,300.00	
HELP	6,686.21	
Contribution to pension fund	6,049.76	
Computer and Equipment Sales	5,323.63	
Bicycle Grant	2,854.50	
Fund Raisers	1,563.43	
Seminar Income	1,125.00	
CDL Services	240.00	
Donation	212.50	
COG Income	431,849.21	
Disbursements		
Payroll		
Net Payroll	(121,859.66)	
Payroll Taxes Paid	(48,574.81)	
Pension	(25,076.79)	
Health Insurance	(22,825.89)	
Temporary Employees	(11,855.00)	
Temporary Employee - Advance	(4,500.00)	
Insurance and Bonding	(2,717.00)	
Life Insurance	(1,605.84)	
Penalties and Late Fees	(563.19)	
	(239,578.18)	
Network Expense	(92,065.97)	
Telephone	(29,958.00)	
Professional Services	(13,322.05)	
Computer / Equipment and Software	(11,106.29)	
Printing	(7,477.41)	
Travel	(6,257.70)	
Supplies	(4,254.69)	
Conference Expense	(4,231.75)	
Petty Cash	(4,198.17)	
BV COG	(4,154.50)	
Postage	(2,584.16)	
Seminar expense	(1,400.00)	
Advertising	(1,224.58)	
Ambridge Boro	(1,025.00)	
Fund Raiser expense	(1,010.00)	
Christmas	(798.89)	
Dues and Subscriptions	(700.65)	
Couch Potato Expenditures	(593.43)	
Permits & Registration	(500.00)	
Repairs and Maintenance	(250.38)	
Bank fees	(214.25)	
Credit Card - Unexplained	(1,624.81)	
Director- Unexplained	(1,112.98)	
Unexplained - Cash	(378.00)	
Total Disbursements	(430,021.84)	
Ending Balance		\$ 18,226.91

**COG**  
**Statement of Revenues and Expenses**  
**For the Year Ending December 31, 2003**

Beginning Balance		\$ 18,226.91
Income		
HELP	68,131.15	
Dues	62,580.00	
Beaver County Contribution	41,403.14	
PA Grant Funds	26,294.00	
Network Services	22,360.00	
PA contribution to pension fund	11,577.61	
BV COG	5,000.00	
CDL Services	1,520.00	
Bike Helmet reimbursement	699.00	
Seminar Income	180.00	
Donation	35.00	
COG Income	239,779.90	239,779.90
Disbursements		
Payroll		
Net Payroll	(126,314.44)	
Payroll Taxes Paid	(20,378.94)	
Health Insurance	(18,362.19)	
Penalties and Late Fees	(5,789.21)	
Temporary Employees	(3,935.00)	
W-Comp Insurance	(2,799.00)	
Life Insurance	(1,645.59)	
Return of State Aid - 2001 Pension	(1,309.00)	
AFLAC	(1,250.64)	
Telephone	(181,784.01)	
Computer / Equipment and Software	(20,378.34)	
Travel	(18,722.08)	
Printing	(5,001.16)	
Supplies	(4,854.10)	
Petty Cash	(2,937.44)	
Postage	(2,660.00)	
Rent	(1,898.64)	
Professional Services	(1,800.00)	
Advertising	(1,354.90)	
Dues and Subscriptions	(878.80)	
Solvency Fee	(753.55)	
Bank Fees	(105.48)	
Director - unexplained	(102.00)	
Credit Card - unexplained	(8,450.00)	
Total Disbursements	(2,117.02)	(253,797.52)
Ending Balance		\$ 4,209.29



COG  
Statement of Revenues and Expenses  
For the Year Ending December 31, 2004

Beginning Balance		\$ 4,209.29
Income		
Dues	37,787.75	
Beaver County Contribution	23,288.71	
Network Services	12,883.00	
PA contribution to pension fund	11,552.75	
Airbag Service	895.00	
CDL Services	280.00	
Interest income	46.15	
COG Income	<u>46.15</u>	86,733.36
Disbursements		
Payroll		
Net Payroll	(31,919.30)	
Health Insurance	(7,341.81)	
Payroll Taxes Paid	(5,619.33)	
Insurance and Bonding	(3,087.00)	
AFLAC	(638.01)	
Life Insurance	(412.71)	
Penalties and late fees	<u>(232.27)</u>	
Professional Services	(49,250.43)	
Telephone	(10,400.00)	
Coloring Contest	(5,982.21)	
Printing	(2,051.00)	
Advertising	(1,221.36)	
Computer / Equipment and Software	(979.41)	
Postage	(532.45)	
Supplies	(406.37)	
Travel	(392.59)	
Bank Fees	(181.51)	
Director - Unexplained	(53.50)	
Total Disbursements	<u>(500.00)</u>	(71,950.83)
Ending Balance		<u>\$ 18,991.82</u>

**HELP**  
**Statement of Revenues and Expenses**  
**For the Year Ending December 31, 2001**

Beginning Balance		\$ 15,179.73
<b>Income</b>		
Beaver County Contribution	146,339.59	
Rental Income	19,829.27	
COG	6,749.14	
Program Income	4,290.13	
Donations	822.00	
United Way Donations	45.41	
Interest	8.50	
HELP Income	<u>8.50</u>	178,084.04
<b>Disbursements</b>		
Contractor Expense	(82,339.50)	
Payroll		
Net Payroll	(14,054.06)	
Payroll Advance	(9,000.00)	
Payroll Taxes Paid	(5,678.32)	
Insurance and Bonding	(2,185.30)	
Health Insurance	(3,637.31)	
Penalties and late fees	<u>(366.47)</u>	
	(34,921.46)	
Repairs and Maintenance	(34,870.67)	
Utilities	(12,752.68)	
Program Expense	(9,199.34)	
Telephone	(2,228.24)	
Couch Potato Expenditures	(2,091.93)	
Property Insurance	(2,004.00)	
Petty Cash	(1,270.33)	
Property Taxes	(1,265.04)	
Christmas	(1,062.50)	
Professional Services	(924.20)	
Travel	(894.25)	
Supplies	(757.13)	
Permits & Registration	(475.00)	
Printing	(228.00)	
Bank Fees	(70.00)	
Line of Credit Fee - Unexplained	<u>(250.00)</u>	
Total Disbursements		<u>(187,604.27)</u>
Ending Balance		<u>\$ 5,659.50</u>

**HELP**  
**Statement of Revenues and Expenses**  
**For the Year Ending December 31, 2002**

Beginning Balance		\$ 5,659.50
Income		
Beaver County Contribution	57,865.88	
Rental Income	27,751.63	
Program Income	5,428.00	
Donations	2,290.00	
Proceeds from Insurance Claims	1,080.50	
United Way Donations	1,010.94	
Fund Raisers	72.00	
Interest	8.81	
HELP Income	8.81	95,507.76
Disbursements		
Payroll		
Net Payroll	(20,130.56)	
Health Insurance	(8,024.94)	
Payroll Taxes Paid	(7,591.87)	
Temporary Employee	(4,200.00)	
Insurance and Bonding	(2,569.20)	
	(42,516.57)	
Repairs and Maintenance	(21,625.54)	
Utilities	(8,689.36)	
Program Expense	(7,805.81)	
Transfer to COG	(6,830.21)	
Petty Cash	(3,753.75)	
Telephone	(3,184.06)	
Property Insurance	(2,423.00)	
Supplies	(565.59)	
Travel	(427.79)	
Printing	(177.40)	
Bank Fees	(130.10)	
Dues and Subscriptions	(50.00)	
Unexplained - Cash	(920.00)	
Unexplained personal phone bill	(410.00)	
Total Disbursements	(99,509.18)	
Ending Balance		\$ 1,658.08

**HELP**  
**Statement of Revenues and Expenses**  
**For the Year Ending December 31, 2003**

Beginning Balance		\$ 1,658.08
Income		
Beaver County Contribution	125,600.40	
Rental Income	24,837.86	
BVCOG	2,000.00	
Program Income	903.50	
FEMA	444.00	
Donations	341.00	
United Way Donations	41.47	
Interest	1.54	
HELP Income	<u>154,169.77</u>	
Disbursements		
Transfer to COG	(68,131.15)	
Payroll		
Net Payroll	(23,478.56)	
Health Insurance	(7,665.21)	
Payroll Taxes Paid	(7,127.91)	
Employee Benefit - Tuition Reimbursement	(3,732.00)	
Insurance and Bonding	(1,093.15)	
Penalties and late fees	<u>(660.54)</u>	
Repairs and Maintenance	(43,757.37)	
Utilities	(20,121.75)	
Telephone	(8,774.86)	
Property Insurance	(3,038.13)	
Petty Cash	(2,569.00)	
Property Taxes	(1,814.14)	
Program Expense	(1,797.82)	
Professional Services	(1,517.75)	
Travel	(1,250.00)	
Collection Expense	(775.12)	
Bank Fees	(454.00)	
Permits & Registration	(420.00)	
Supplies	(200.00)	
Security Deposit Refund	(74.79)	
Total Disbursements	<u>(154,749.92)</u>	
Ending Balance		<u>\$ 1,077.93</u>

**HELP**  
**Statement of Revenues and Expenses**  
**For the Year Ending December 31, 2004**

Beginning Balance		\$ 1,077.93
Income		
Beaver County Contribution	17,156.35	
Rental Income	9,046.26	
Pin Fund Raiser	84.00	
United Way Donations	<u>69.94</u>	
HELP Income		26,356.55
Disbursements		
Payroll		
Net Payroll	(8,276.12)	
Payroll Taxes Paid	(3,238.24)	
Insurance and Bonding	(1,385.00)	
Health Insurance	(1,191.19)	
Penalties and Late Fees	<u>(132.10)</u>	
		(14,222.65)
Utilities	(7,542.40)	
Telephone	(881.26)	
Property Insurance	(635.04)	
Repairs and Maintenance	(548.91)	
Travel	(222.75)	
Bank Fees	<u>(78.00)</u>	
Total Disbursements		<u>(24,131.01)</u>
Ending Balance		<u>\$ 3,303.47</u>

**Councils of Governments of Beaver and Butler Counties and H.E.L.P., Inc.**  
**Notes to the Accounting Statements**  
**FOR THE PERIOD JANUARY 1, 2001 THROUGH DECEMBER 31, 2004**

Note 1: Summary of Significant Accounting Policies - The reports were prepared 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. Statements were developed from the organizations' Bank Statements. No analysis was performed of any accounts receivable or accounts payable.

Note 2: Financial Data - Data used in the development of the statements was found in the files located in conference room #202 of the Cranberry Township Municipal Building. A complete and accurate chain of custody of these records could not be established. No formalized policies or procedures were found. Complete official Board of Directors meeting documentation and minutes were not available. Supporting documentation for receipts and disbursements was incomplete. No electronic computer data was obtained.

Professional Services

	Date	Check #	Amount	
Shoup Engineering	4/6	3774	1,800.00	Commodities Bid
Beyer-Barber Company	6/23	3843	800.00	Actuarial Services
Shoup Engineering	9/21	3952	824.00	Commodities Bids
Goldberg, Kamin	2/8	3715	1,236.00	Attorney
Goldberg, Kamin	2/23	3728	1,128.00	Attorney
Goldberg, Kamin	3/16	3753	831.00	Attorney
Goldberg, Kamin	5/5	3811	453.00	Attorney
Goldberg, Kamin	6/23	3848	345.00	Attorney
Goldberg, Kamin	6/23	3849	336.00	Attorney
Goldberg, Kamin	7/20	3893	398.20	Attorney
Goldberg, Kamin	8/24	3926	723.00	Attorney
Goldberg, Kamin	9/21	3944	957.00	Attorney
Goldberg, Kamin	10/19	3989	408.00	Attorney
Goldberg, Kamin	12/4	4034	300.00	Attorney
Goldberg, Kamin	2/8	419	90.00	Attorney
Goldberg, Kamin	3/15	440	432.00	Attorney
Goldberg, Kamin	5/4	464	558.00	Attorney
Goldberg, Kamin	6/21	475	216.00	Attorney
Goldberg, Kamin	7/23	485	405.00	Attorney
Goldberg, Kamin	8/24	496	108.00	Attorney
Goldberg, Kamin	9/23	510	171.00	Attorney
Goldberg, Kamin	12/4	530	189.00	Attorney
			2001	12,708.20
Goldberg, Kamin	2/8	4100	708.00	Attorney
Goldberg, Kamin	3/10	4135	600.00	Attorney
Goldberg, Kamin	3/29	4148	336.00	Attorney
Shoup Engineering	6/25	4221	2,464.00	Attorney
Beyer-Barber Company	8/9	4270	400.00	Attorney
Goldberg, Kamin	2/6	352	288.00	Attorney
Small, O'Conner & Pagano	2/22	369	8,500.00	Audit
Goldberg, Kamin	3/10	376	72.00	Attorney
Goldberg, Kamin	3/27	390	162.00	Attorney
Shoup Engineering	7/5	deposit	(207.95)	Reimburse Overpayment
			2002	13,322.05
Beyer Barber	8/12	4596	400.00	Actuarial Services
Lennon Smith Soulcret	8/22	4612	954.90	Commodities Bids
			2003	1,354.90
Gleason & Associates	5/20/2004	7	10,000.00	Fraud Audit
Beyer-Barber Company	6/11/2004	134	400.00	Actuarial Services
			2004	10,400.00
COG 2001-2004 Professional Service				37,785.15

Goldberg, Kamin	11,450.20	Attorney
Gleason & Associates	10,000.00	Fraud Audit
Small, O'Conner & Pagano	8,500.00	Audit
Shoup Engineering	4,880.05	Commodities Bids
Beyer-Barber Company	2,000.00	Actuarial Services
Lennon Smith Soulcret	954.90	Commodities Bids
COG 2001-2004 Professional Service	37,785.15	

RICHARD W. TOWCIMAK  
CONTROLLER

County of Beaver



Office of Controller

VINCENT LaVALLE  
DEPUTY CONTROLLER  
ROBERT LEWIS, JR.  
SOLICITOR

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

September 1, 2006

Beaver County Board of Commissioners  
Beaver County Courthouse  
Beaver, PA 15009

Report on Internal Controls

We have reviewed the records of the Councils of Governments of Beaver and Butler Counties for the period January 1, 2001 through December 31, 2004, and have issued our report thereon.

In planning and performing our review for the period January 1, 2001 through December 31, 2004 we could not consider the office's internal control structure to determine our auditing procedures as the office was non-functioning at the time of the review. For the purposes of expressing our opinion on the financial position and the office's compliance with applicable laws and regulations we reviewed those records that were made available and cannot provide any opinion on the past internal control structure. However, we noted the observations which are discussed in detail in the following section of this 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.

Richard W. Towcimak  
Beaver County Controller



## Observations

### **Observation 1: Board of Directors Meeting Minutes**

No official Board of Directors meeting minutes were located for COG or HELP for the period of review. The current COG President stated that since the reorganization of the Board of Directors in 2004, official meeting minutes were maintained on file with the COG's Solicitor.

#### **Conclusion:**

Without official board meeting minutes it was not possible to determine if expenditures were approved or the extent of board member involvement in the decision making processes of the organizations.

### **Observation 2: Grants Awarded Through Beaver County**

All funding from Beaver County to COG was tracked to the appropriate checking accounts. All grant funding was reviewed to insure proper receipts were maintained and that funding was properly administered. Requisition forms with copies of invoices attached were presented to the Beaver County Office of Community Development for COG expenses. These forms were reviewed by Beaver County Office of Community Development prior to the release of County funds. Beaver County funding totaling \$260,317.52 provided to the COG during the audit period was reviewed. Beaver County funding totaling \$508,877.01 provided to the HELP program for the audit period was also reviewed. All funding provided by Beaver County was tracked to either the COG or the HELP checking accounts and supporting documentation. On 2/23/01 \$40,000.00 disbursed by Beaver County to the HELP program was improperly deposited into the Regular COG account. No explanations could be found for depositing these funds to the COG account. HELP expenses were often paid from the COG accounts and reimbursed by HELP however expenses related to this \$40,000.00 payment had been reimbursed by HELP prior to the receipt of these funds. Funds were transferred to HELP in the following amounts, \$20,147.76 on 2/26/01 from the Regular account and \$27,624.75 on 8/8/01 from the Special account. No transfers were made from the Regular account to the Special account to cover the funds paid to the HELP program.

Review of invoices revealed that invoices corresponding to County funding were present at either the COG or Community Development and that these invoices were paid by the COG. Review of the COG Payroll revealed that there were sufficient payroll expenses to cover the reimbursement requested from Beaver County. However the review also revealed that related payroll expenses, i.e. payroll taxes, were never paid even though the COG received reimbursement for these expenses (see Observation #8).

**Conclusion:**

Review of County funding to the COG and HELP programs revealed that all funds reviewed for these programs were received and it appeared that proper invoices existed. One incidence did occur where funding was deposited to the wrong account. These funds were not immediately transferred to the correct account and this resulted in a loan of funds from the HELP program to the COG. This would appear to be an unauthorized use of county funding. In addition to this unpaid payroll related expenses also resulted in the unauthorized use of county funds. It is therefore recommended that the Beaver County Office of Community Development not only review the proper expenditures but also the proper receipt of funding and payment of expenditures related to County funding.

**Observation 3: Grants Received From Other Agencies**

The Beaver Butler County Council of Governments received grant funds from agencies other than Beaver County during the period of review. During the preparation of financial information, income was identified from the Pennsylvania Commission on Crime and Delinquency (PCCD), The Pennsylvania Department of Community and Economic Development (DCED), and the U.S. Department of Justice Community Oriented Policing Program (COPS). The Council of Governments received the following grants during the period of review.

The PCCD awarded grant number 98-DS-15B-9941 dated 10/00 to 8/01 in the amount of \$35,459. This grant was for items relating to the police computer network. This grant also listed \$106,378 in new appropriation for a total of \$141,428. The \$106,378 was to be obtained through other sources.

The Department of Community and Economic Development awarded a \$69,700 grant to the COG for the purchase and installation of equipment related to the police network. This Grant was to be matched by the COG in the amount of \$69,700.

Per review of records we were not able to determine the method the COG was employing to match these grants.

Per review of COG financial records, it does appear the COG paid expenditures that related to the expenditure categories listed in the grant. The two grants combined for a total of \$280,828. Expenditures for the year 2001 in the corresponding grant categories amounted to \$325,000. While these expenditures appeared to be for categories listed in the grants, we could not ensure the validity of these purchases. For example the DCED grant contained a line item for equipment and software in the amount of \$54,512. The COG financial data for 2001 listed indicates \$104,000 paid for equipment and software related items. Based on records reviewed it could not be determined which of these

expenditures should be charged to this grant. Receiving documents or inventory documents were not located. It could therefore not be determined that these items were used in accordance with the terms of the grant.

It was noted that the PCCD grant contained a line item for the cost of a single audit in the amount of \$5,000. A single audit was not performed.

The Department of Community and Economic Development awarded grant number 22-186-0004 in the amount of \$7,500 to the COG for the purchase of two portable speed display signs. This grant was to be matched by the COG. We did not note that these signs were purchased with COG funds.

The Department of Community and Economic Development awarded grant number 22-186-0013 in the amount of \$5,000 to the Beaver Valley COG for the purchase of fire hose testing equipment. This grant was to be matched by the Beaver Valley COG. We were able to examine this grant due to the records of the Beaver Valley COG being filed with the Beaver Butler County COG and administered by the director of the Beaver Butler County COG. The fire hose testing equipment was purchased by the Ambridge Fire Department. The Ambridge Fire Department has not been reimbursed for the purchase by the Beaver Valley COG.

The grants listed above have not been closed by the Department of Community and Economic Development. To close these grants the COG must be able to provide documentation to substantiate all expenditures. Per discussion with DCED personnel we were provided with the following list of other grants awarded to the Beaver Butler County COG or subsidiary COGs that were outside the period of the review that have not been closed:

- 1.) 97-186-0012 \$40,000 7/1/97 to 8/31/98 awarded to the Beaver Valley COG for Police Network Computer Equipment. This grant was to be matched by DCSI and PCCD funds. This grant was for a computerized police records system to be shared with 14 municipal police departments in Beaver County. A letter was on file from DCED dated 8/30/05 which stated that the grant has not been closed.
- 2.) 97-186-0025 \$25,000 7/1/97 to 8/31/98 awarded to the Upper Beaver Valley COG for Police Network Laptops. This grant was to be matched by the municipalities and was to purchase 18 laptop computers for 10 COG municipal police departments. A letter was on file from the DCED dated 8/30/05 stating that the grant has not been closed.
- 3.) 98-186-0040 \$10,000 7/1/98 to 1/31/00 awarded to the COG for the development of an ADA (Americans with Disabilities Act) Resource Manual. This grant was to be matched by other funds from an unspecified source. The grant was to identify affordable solutions regarding the ADA and provide services to disabled persons. A letter was on file from the DCED dated 1/4/06 stating that the grant has not been closed.

4.) 99-186-0016 \$18,000 7/1/99 to 1/31/01 awarded to the COG for a shared financial manager to serve 49 communities in Beaver and Butler Counties. This grant was also to be matched by other funds from an unspecified source. A letter was on file from the DCED dated 1/4/06 stating that the grant has not been closed.

5.) 99-186-0045 \$80,240 7/1/99 to 1/31/01 awarded to the COG for the installation of 102 laptop computers, with support equipment, in police vehicles of 47 communities. This grant was to be matched with DCSI funds. A letter was on file from the DCED dated 8/30/05 stating that the grant has not been closed.

DCED personnel stated that due to these grants not being closed the DCED will not award any new grant funds to the Beaver Butler County COG, Beaver Valley COG, or the Upper Beaver Valley COG until this issue is resolved.

The U.S. Department of Justice awarded a COPS More Grant (Community Oriented Policing) to the COG. Grant number 2002CKWX0135 dated 10/1/01 to 9/30/03 was awarded in the amount of \$139,000. This grant was for the purchase of computer related equipment associated with the police network. This grant did not require a match.

Per review of COG financial records, it does appear the COG paid expenditures that related to this grant. While these expenditures appeared to be for items related to this grant, we could not ensure the validity of these purchases. Based on records reviewed it could not be determined which of these expenditures should be charged to this grant. Receiving documents or inventory documents were not located. It could therefore not be determined that these items were used in accordance with the terms of the grant.

#### **Conclusion:**

Based on this review, the Beaver Butler County COG received grant number 22-186-0004 in the amount of \$7,500 from the Department of Community Development for the purchase of two portable speed display signs. It does not appear these signs were purchased.

The Beaver Valley COG received grant number 22-186-0013 in the amount of \$5,000 from the Department of Community and Economic Development for the purchase of fire hose testing equipment. This equipment was purchased by Ambridge Fire Department and not reimbursed by the Beaver Valley COG.

Information reviewed was incomplete to determine if the network service related grant funds received from the U. S. Department of Justice COPS program, PCCD, and the DCED were expended in accordance with grant requirements. While it appeared that the COG had expenditures that appeared to correspond with general grant categories, we were not able to substantiate if these expenditures related a specific grant program. Receiving documents and inventory records were not located, therefore, we could not

determine if the items purchased were received or where the items were placed into service. We were also not able to determine for the records located what the source was for matching funds. It was noted that the PCCD grant included \$5,000 for the cost of an audit. An audit was not performed.

#### **Observation 4: HELP Rental Income**

H.E.L.P., Inc managed several rental units and an emergency shelter. Rental agreements and records of payments were not located. A manual ledger book listing amounts deposited into the HELP checking and savings accounts was reviewed. The ledger usually contained information about the location of the rental property but was incomplete. Based on the information in the ledger it was possible to verify most of the rental payments deposited into the HELP checking and savings accounts. However there were deposits where the remitter could not be identified. Delinquent notices were located dated 2003 and early 2004 for eight tenants. These notices listed amounts owed on back rent and other charges totaling \$20,686. The ledger books appeared to indicate that \$1,600 of this outstanding amount was subsequently collected, leaving \$19,086 uncollected as of December 31, 2004. Two tenants owed in excess of \$7,000 each in back rent.

Rental amounts were based upon an individual's income. Income verifications are to be performed annually or when a new tenant moves into a unit. Income verifications were not located in the HELP records. The Beaver County Community Development Office was contacted to access any income verifications maintained in their files. For the 11 tenants reviewed, two individuals had current income verifications on file. Three individuals had no income information on file, and the remaining 6 tenants' income information was 2 to 5 years old. Therefore, it was not determined if all tenants met the income guidelines for the rental units.

Monthly rent collected was compared to HUD guidelines for low income rental units. The rent collected was found to be within HUD guidelines.

Records were not located to make an accurate determination of the appropriateness of income collected or returned to individuals using the emergency shelter.

#### **Conclusions:**

Based on delinquent notices located it appears \$20,686 was owed in back rent and charges for the HELP rental units. Based on the records we were able to locate it appears this amount may be accurate. It appears from the records review that about \$1,600 of these delinquent charges may have been collected after the date of the notices. We were not able to locate adequate records to evaluate the reports of the emergency shelter.

**Observation 5: COG Dues Collected**

Complete information documenting the actual calculation process for dues was not found in the files reviewed. No formalized policies or procedures were located. Printed Board minutes documenting the approval of the dues assessments were not found in the files.

Dues appeared to be fairly consistently collected from the subsidiary COGs from 2001 through 2003. Dues Structure worksheets were noted which appeared to indicate that the subsidiary COG's were assessed an amount based upon a \$300 charge for each member municipality and a \$150 charge for each School District plus an added charge based on population.

<u>Population</u>			
1	to	25000	=\$2,000
25001	to	50000	=\$2,500
50001	to	75000	=\$3,500
75001	to	100000	=\$4,500

In 2004, it appears that dues were also collected directly from some member municipalities and school districts, in addition to the receipts from the minor COGs.

The following table was prepared based on data reviewed.

	2001 Dues	2002 Dues	2003 Dues	2004 Dues
County Commission Members				
Beaver County Commission	5,000.00	5,000.00	5,000.00	5,000.00
Butler County Commission	3,000.00	3,000.00	3,000.00	3,000.00
Southwest Butler Valley COG				2,400.00
Adams Township				193.75
Buffalo Township				780.00
Callery Borough				75.00
Clay Township				400.00
Clinton Township				400.00
Cranberry Township				1,664.00
Evans City Borough				200.00
Harmony Borough				100.00
Jackson Township				425.00
Lancaster Township				400.00
Mars Borough				400.00
Middlesex Township				670.00
Muddycreek Township				200.00
Penn Township				675.00
Saxonburg Borough				400.00
Seven Fields Borough				400.00
Slippery Rock Borough				210.00
Western Butler County Authority				25.00
Winfield Township				420.00
Valencia Borough				75.00
Zellenople Borough				570.00
Southwest Butler Valley COG	8,500.00	8,800.00	8,800.00	11,082.75
Southern Beaver Valley COG				4,800.00
Greene Township				545.00
Hanover Township				740.00
Independence Township				620.00
Industry Borough				600.00
Midland Borough				1,065.00
Ohioville Borough				840.00
Potter Township				445.00
Raccoon Township				630.00
Southern Beaver Valley COG	4,600.00	4,600.00	4,600.00	10,285.00
Beaver Valley COG				8,800.00
Ambridge Borough				600.00
Center Township				1,325.00
City of Aliquippa				350.00
Conway Borough				450.00
Economy Borough				1,250.00
Freedom Borough				375.00
Harmony Township				156.25
Hopewell Township				1,400.00
Monaca Borough				950.00
New Sewickley Township				950.00
Rochester Township				443.75
Ambridge School District				500.00
Aliquippa School District				250.00
Freedom School District				250.00
Beaver Valley COG	9,500.00	9,200.00	9,200.00	18,050.00
Upper Beaver Valley COG				10,550.00
City of Beaver Falls				750.00
Homewood			150.00	
Upper Beaver Valley COG	10,000.00	10,900.00	10,900.00	11,300.00
<b>Total Dues</b>	<b>40,600.00</b>	<b>41,500.00</b>	<b>41,650.00</b>	<b>58,717.75</b>



**Conclusion:**

Without documentation of the Board approved calculation process and/or the Board approval of the actual amount of dues assessed the appropriateness of collections cannot be determined.

**Observation 6: Transfer of Funds between COG and HELP**

The Beaver Butler County COG maintained three Citizens National Bank checking accounts; account 10002166 known as the Regular or General account, account 10004821 known as the Special account and account 10005231 known as the COPS account. The HELP program maintained one checking account number 139-9631 and one Savings account number 00351-455786 with Mellon Bank. On August 16, 2002 Mellon Bank was converted to Citizens Bank and the checking account number was changed to 610137-532-7 and the savings account was changed to 6141-577806. COG expenses related to normal operations appeared to be paid from the Regular account while items related to operation of the police network were paid from both the COPS account and the Special account. The COPS account was closed in June 2002. Funds provided by Beaver County were deposited to the Regular account and to the HELP account, while funding from the Federal Government and the PCCD were deposited to the Special. On occasions when a single check was received with more than one purpose the funds were deposited to one checking account and the balance due another account was transferred either electronically or by check. Funds were also transferred to pay for services or invoices that had been incurred by HELP and paid by COG. This occurred when items were purchased in bulk and divided between HELP and COG. COG employees also provided services to the HELP program and their wages and expenses were reimbursed by HELP. \$328,898.53 was electronically transferred between accounts over the audit period while \$254,451.82 was transferred by check during the same period. Negative bank balances in the COG Regular account were covered by transfers of \$20,000.00 on 7/31/01 and 5,000.00 on 2/26/05 from the COG Special account. It appeared that the COG Special account was used to advance funds to the HELP program to cover low bank balances in the following amounts; 8/20/02 \$2,500.00, 9/3/02 \$2,500.00 and 12/12/02 \$5,000.00. These funds were repaid to the COG Special account on 1/22/03. Many transfers between accounts were made without explanation and deposit slips were often missing. At times it was possible to determine why transfers were being made but at other times it was not. Funds did not appear to be properly tracked between accounts. This can be seen in the deposit of \$40,000.00 from Beaver County for the HELP program to the COG Regular account and the subsequent repayment of these funds from both the Regular and the Special accounts. No transfers were made from the Regular account to the Special Account to cover the amount transferred to HELP and no explanation could be found that would show why the Regular account should not repay the funds in full (see Observation #2).

**Conclusion:**

It would appear that COG funds were used to cover low account balances in the HELP program resulting in commingling of funds between COG and HELP accounts. Furthermore grant funding intended for the HELP program was deposited to the COG account and later transferred to the HELP account. Transfers between accounts were not always properly documented and deposit tickets for some transfers were missing.

**Observation 7: Payment Documentation and Approvals**

Check listings located in the files were found to be incomplete and inaccurate. Check number references did not correspond to actual check numbers. The disbursement amounts were obtained from the Bank Statements and then were traced to whatever source documentation could be found. Of the \$1,170,000 in expenditures from COG during the period 2001 through 2004, supporting documentation could not be located for approximately \$113,000 (10%) of the total. Of the total \$466,000 in disbursements from HELP during the period 2001 through 2004, invoices or supporting documentation could not be located for approximately \$61,000 (13%) of the total.

Check signing procedures appeared erratic. Nine blank checks from HELP checking account #1396631 were noted in the files with an authorized signature already affixed. Most checks for both COG and HELP contained two signatures, however, 3 checks were processed with only one signature. Based on a review of cancelled checks, a signature stamp was occasionally used for one of the COG Board of Directors' signature.

**Conclusion:**

Because meeting minutes were not found, we were not able to determine if Treasurer's Reports were prepared or if disbursements were approved by the Board of Directors.

**Observation 8: Payroll**

Time sheets and/or check stubs were reviewed and summarized to determine which payments made to individuals were processed as payroll. Withholdings and deductions were re-calculated to determine gross and net pay. Documentation of tax form preparation was reviewed and payments made to Tax collection agencies were summarized. Employee pension deductions were reviewed for transmission to the pension's investment firm.

As of the end of 2004, based on the gross \$565,077.54 that was processed as COG payroll from 2001 through 2004, Federal 941 payroll taxes not paid totaled \$73,063.71 plus any penalty and interest. Retirement funds deducted from employees pay but not transmitted

to the pension investment firm totaled \$5,904.28. Additionally, the PA State contributed a total of \$23,130.36 that was not used for the Pension fund.

As of the end of 2004, based on the gross \$93,012.13 that was processed as HELP payroll from 2001 through 2004, Federal 941 payroll taxes due amounted to \$1,435.38 and local payroll taxes withheld and not paid were \$85.04.

In addition to the checks processed as payroll, from 2001 through 2003, 85 COG payments to twelve individuals totaling \$16,820 were made for what appeared to be temporary help at a rate of \$10 per hour. No payroll withholding or deductions were processed for these checks. Time sheet verification could be found for \$10,605 (63%). Additionally, a check was issued on October 4, 2004 to one of these "temporary employees" for \$4,500. Nothing was noted in the files documenting the reason for, or repayment of, these funds. However, time sheets were noted, misfiled in another individual's 2002 payroll file, which documented 149 unpaid work hours from October through the end of 2002. No time sheets for this individual were located after December 2002.

Complete documentation of salaries or pay rates, other than the amounts noted on the pay stubs, was not found. During the period, salary advances were given, salary increases were processed, overtime pay was processed and compensation time was granted. On occasion vacation pay appeared to be given in lieu of actual time taken. No formalized policies and procedures were found in the files reviewed. Official Board meeting documentation and minutes were not found in the files reviewed, therefore, no documentation of policy or board approval of these amounts was found.

For all COG employees, a total of \$454,289.91 net pay was processed as payroll from 2001 through 2004 and approximately 5.8% of that total was not directly traced to time sheet documentation.

For HELP's one employee, 9.3% of the net \$65,939.30 processed through payroll during the four year period could not be directly traced to time sheet documentation.

The following was noted for each individual with checks processed as payroll:

Employee "A" was paid a total 7 checks during the period of review; all in the first 3 pay periods (6 weeks) at the beginning of 2001. Three checks appeared to be for regular salary although 2 weeks time sheets were not found. Three checks were for 18 overtime hours (2 hours undocumented). One check, which ended her employment at COG was indicated as a payment for her entire 3 weeks vacation for the year 2001.

Employee "B" was paid 10 checks in the first 9 pay periods of 2001. Time sheet documentation supported the 9 pay period pays including 6 hours of overtime for which only 5.5 hours was paid. Upon her termination, a final check was issued for 4 days pro-rated 2001 vacation earned.

Employee "C" received 17 checks totaling \$3,975 from July 2002 through May 9, 2003 at a rate of \$10 per hour without any payroll withholding or deductions. Time sheets were present to document all but 2 of these checks (41 hours) [included in paragraph on "temporary employees" above]. On May 16, 2003 her pay began to be processed as payroll with withholding and deductions. Time sheets supported all but ½ hour of time worked for 2003. For 2004 time sheet documentation was present to support all payments plus an additional 9 hours which were not paid.

During the 83 regular pay period time frames that Employee "D" worked for the COG from 2001 through 2004 he was issued 85 pay checks. In 2001 his timesheets documented 55.5 hours of overtime not paid. In 2002 he was issued one additional paycheck for 27.5 overtime hours although for the year he had documented 53.5 overtime hours. In 2003 Employee "D" documented 6 more compensation time hours than overtime hours but was missing one weekly time sheet. For 2004 time sheets documenting 3 weeks were missing and a final check was issued for what amounted to one day with no explanation found in the files.

For the period 2001 through 2004 Employee "E" worked 77 pay periods, was missing only one time sheet, and received 78 pay checks. She was compensated for 33.5 hours of her documented 54.5 hours of overtime during the period. In 2003, 12 hours of overtime was paid on a separate check, other overtime was paid as an add-on to her regular pay. In 2001 deductions were made to her checks for 4 days not worked, however 2.5 hours during one of those days was documented as being worked. In 2004 her final day worked was documented as 9.5 hours and was not paid nor was any unused vacation compensation given.

Employee "F" was paid \$10 per hour for a total of 80.5 hours in 2001 and 2002. One weekly time sheet was missing for 18 hours.

Employee "G" was paid for 802.5 hours at a rate of \$15 per hour in 2003 and 2004. Documentation was found for all but one hour.

Employee "H" received 37 checks from 2001 through June 4, 2003 totaling \$7,020.00. Supporting time sheets were found for 7 of these checks for a total of 299 hours at \$10 per hour. No withholding or deductions were processed for these checks [included in paragraph on "temporary employees" above]. On June 20, 2003 her pay began to be processed as payroll and during the remainder of 2003 and 2004, 226.5 hours were documented with time sheets and paid.

For Employee "I", 85 payroll checks were processed within an 81 pay period time frame. Time sheet documentation was missing for 5 pay periods (10 weeks), however, the time sheet documentation that was present indicated an excess of what amounted to 136 days of overtime worked and not paid from 2001 through 2004. Also, for Employee "I", no vacation time was documented as taken at any time during the period.

Employee "J" received 10 checks totaling \$3,270 between July 2002 and April 2003. Seven of these checks were traced to time sheet documentation for 204 hours paid at \$10 per hour. There were no payroll deductions processed [included in paragraph on "temporary employees" above]. Beginning in May 2003 and during the remainder of 2003 her checks were processed as payroll with documentation found for 492 of the 499.5 hours paid.

Employee "K" received 79 checks in the 78 period time frame she worked for COG. All her time sheet documentation was present and she was paid for 132.25 hours of a documented 162.25 hours of overtime. One check, issued on December 31, 2003, was for 53.5 hours of overtime alone. Other overtime pay was included with regular pay hours. Employee "K's" final check in April 2004 included 3 days unused vacation and 38 hours overtime.

Employee "L" appeared to be a seasonal employee working mostly during summers and school holiday breaks. She received gross pay of \$19,520 (net \$15,584.89) in 2001 through 2004 seemingly based on \$10 per hour for 1952 hours. Time sheets were present documenting 1163 hours worked, 83 hours paid sick, 80 hours paid holidays, 48 hours paid vacation, 8 hours paid personal time. 570 hours were not documented. Other than those employees that appeared to be salaried, she was the only employee that was paid for holidays, vacations, personal, and sick hours.

HELP Employee "M" received a payroll advance of \$9,000 in July 2001. The following 18 pay checks were processed with a \$500 deduction to return the advance. During the 84 pay periods she worked in the years 2001 through 2004 she received 88 pay checks (excluding the \$9,000 advance check). Time sheets for 11 weeks in 2001 could not be found. One check was processed separately early in 2001 for 40 hours overtime which could not be verified through a time sheet, however 50.25 additional hours of overtime were documented later that year with only 19.5 overtime hours being added to regular pay checks. In 2002, Employee "M" logged 11 hours more compensation time than overtime.

On December 31, 2003 a check was issued which indicated that the payment was for 3 days vacation not taken. Another check was issued that day for 41 hours at her regular rate with no explanation found. She had worked 73 hours of documented but not paid overtime that year. On January 23, 2004 a check was issued for \$1,505.71 net (\$1,900 gross) showing a description "2003 raise". Upon resignation, on March 24, 2004 her last check included 5 days unused vacation.

#### **Conclusion:**

Without formalized policies or documentation of Board approval of salaries, salary increases, salary advances, overtime pay, holidays, sick pay, personal and compensation time, vacation, or payment for vacation in lieu of time taken, the appropriateness of payroll expenditures, documented or undocumented, cannot be determined.

The COG and HELP employees noted in Observation 8: Payroll are as follow:

Temporary Help

Benjie Tiberio  
Chad Ugarean  
Chris Cummings  
Danielle Kaiser  
David Zigarelli  
Eric Vanyo  
Jessica Sambol  
Josh McVay  
Katie Heckert  
Loern Pollock  
Mary K. Strimel  
Nicole Tagliaferi

Employee "A"	Mary Hamilton
Employee "B"	Patricia LeCerf
Employee "C"	Danielle Kaiser
Employee "D"	Robert Maxwell
Employee "E"	Dawna Pella
Employee "F"	William Niesen
Employee "G"	Vince Rivetti
Employee "H"	Jessica Sambol
Employee "I"	Sharon Sambol
Employee "J"	Mary K. Strimel
Employee "K"	Jan Tagliaferia
Employee "L"	Natalie Tranelli
Employee "M"	Tammy Beaumont

### **Observation 9: Petty Cash Review**

Petty cash for the audit period was reviewed. Petty cash for the audit period totaled \$11,595.44. No documentation could be found for \$2,129.25 of this total. Of the \$9,466.19 where documentation was found, unidentified receipts and items listed only on post it notes accounted for \$1,075.70. This leaves a total of \$8,390.49 or 72% of petty cash with verifiable receipts. Many petty cash receipts were for items such as candy, beverages and delivery pizza, however no rules governing the petty cash fund could be found at the COG office and no minutes for board meetings were available for audit review.

#### **Conclusion:**

Without proper minutes from board meetings it is impossible to know what rules to apply to the petty cash funds reviewed.

### **Observation 10: Unpaid Invoices**

During the review invoices were located that were not paid at the end of December 2004 totaling \$160,278. Payroll taxes not paid to the Internal Revenue Service were calculated as \$74,498. Pension payment from municipalities and withheld from employees pay amounting to \$29,034 were not transferred to the pension fund.

These invoices were located during the course of our review and may not be inclusive of all amounts owed at the end of the review period. The amount of payroll taxes calculated as due to the Internal Revenue Service do not include any interest and penalties that may be accessed by the Internal Revenue Service.

It is noted that the cash balance in the COG accounts at December 31, 2004 was \$18,991. Therefore it appears payroll taxes and pension contributions were used to fund other COG operations.

On September 19, 2006 Richard Towcimak, Beaver County Controller, requested that the auditors give our personal opinions of the state of affairs at the Councils of Governments of Beaver and Butler Counties (COG) and H.E.L.P., Inc. (HELP). The Auditors are submitting our thoughts as follow.

We were called in to review the COG and HELP records in February 2006, two years after Sharon Sambol, the Director, had been suspended from her position under suspicion of fraud. In those two years, access to the financial records had not been controlled. Multiple individuals from multiple organizations had reviewed and re-organized the financial data for the purpose of investigation and/or in an attempt to continue the operations. Municipal government officials, in seeing the value of the COG services such as joint commodities bidding, grant writing, and police network services, had contacted state and local government officials to request assistance both financially and for administrative advice with the hopes of continuing operations. However the organizations had a more serious financial crisis than could be remedied. The COG was not receiving sufficient income from membership dues and did not charge sufficiently for the services they provided. The man hours and staffing requirements needed to administer the functions of the COG proved to be too costly without additional grant support and by the end of April 2004 all the employees at both COG and HELP were let go. At the time of audit review only the volunteer COG Board of Directors remained and met monthly for the purpose of dissolving the COG by settling any outstanding liabilities and unfinished business. HELP no longer existed.

The COG and HELP, when functioning, operated out of offices located at 1700 Clark Boulevard Aliquippa, PA 15001. Reportedly Sharon Sambol was removed without notice on February 19, 2004 after a "secret" Board meeting the prior night. After that, the organizations continued to operate with new administration functioning during various investigations. Unable to secure a large enough infusion of funding and failing the attempt at reorganization the employees were terminated and the records eventually were boxed and transported to the Cranberry Municipal Building for storage. We limited our review to the paper documents located in the conference room #202 at the Cranberry Municipal building. Early in the performance of the review of the COG and HELP we were given access to room #202 in the Cranberry Township Municipal Building that contained boxes of records from the COG and HELP. We tried to determine how the records were filed and prepared an inventory list of over 1000 COG and HELP files in that one room. During this time we spoke to the current President of the COG, Gene Fleegle. He stated that everything that was located at the COG office in Hopewell was transferred to room #202 where we were working at the Cranberry Township Municipal Building. There were several computers in the room which appeared to be the computers used by COG personnel. We spoke to John Arminas, an attorney with Goldberg Kamin and Garvin, the law firm representing the COG, about gaining access to the information on the computers. He stated that any information contained on the computers would also be located in the boxes in the room. Other requests were made to Gene Fleegle and Bettelou Bertoncello, former COG Board member. They stated that CPA Sallie Adams had used the system and spent several months on behalf of the Pennsylvania Department of Community and Economic Development (DCED) trying to trace payments related to the DCED grants that had not been closed. Michael Foreman, DCED who had hired Sallie, was contacted, however, he also could not help us and we were unable to access



any electronic data as the passwords were not known. Unfortunately, even if we did obtain access to the computer records the integrity of the information would not be assured. Some computer generated reports were found within the printed files reviewed that indicated data had been changed after Ms. Sambols dismissal. After we were well into the review process, Mr. Arminas informed us that there were more records in another location in the Cranberry Township Municipal Building. Upon our direct request Bettelou Bertoncello showed us three jail cells filled with files and equipment transferred from the COG office in Hopewell. She stated that documents from 2000 forward should be in the room where we were working.

Initial review of COG records presented several questionable items. One of these items was the hiring of relatives. Carol Sambol was a member of the COG board while her daughter Sharon Sambol was employed as the director for COG and HELP. Sharon Sambol employed her father Tony Sambol as a maintenance person for the HELP program. She also employed Jessica Sambol, her niece, as part time office staff.

We prepared bank reconciliations for all accounts located for 2001 through 2004 for COG and HELP. We did not locate a complete set of reconciliations for any account. For the reconciliations found and reviewed, errors were noted. Check numbers were not listed correctly. Cancelled checks or check copies as listed on bank statements were examined. Nine blank checks were located with one signature already affixed. Checks were issued out of order. There were blocks of checks missing. Some checks used Carol Sambol's signature stamp for a second signature. Three checks were negotiated with only one signature. Checks were located with the check numbers hand written on the checks.

We traced disbursements to invoices and supporting documentation. Based on the checks and supporting documentation located, financial statements were prepared. When reviewing invoices, it was discovered that some invoices were grouped together by month, some were located by vendor, some were located in various files in the room and some invoices were not located. Invoices for the months of October, November, and part of December 2002 were not located. Although we were able to locate some documentation for \$1,462,000 of \$1,636,000 in expenditures, we were not able to determine that all of these expenditures were proper. For example, even though there was a large volume of computer and computer related equipment that could be traced to invoices, records were not available to determine how the computer and equipment purchases were used or where the items were located. No inventory records or receiving documents were located.

Review of financial records revealed that the COG had more expenditures than it did income. There would appear to have been a lack of responsible fiscal budgeting. This was made evident in a letter dated 11/8/02 from Community Development Program of Beaver County in which Sharon Sambol, Executive Director of HELP was advised that HOME 2002 CHDO funds were being cancelled due to the fact that they had not submitted an application or made progress toward developing a project. HELP CHDO financing for HOME 2001 totaled \$40,000.00. A total of grant financing, dues and reimbursement of expense by participating communities were not sufficient to cover the cost incurred by the COG for operations. Furthermore payroll expenses incurred by the COG were not properly administered and payroll taxes due the

government were not paid. Taxes and retirement expenses withheld from employees were not properly administered and were not completely paid to the proper authorities. In addition it would appear that funding provided by the State of Pennsylvania for the employee retirement plan were not properly administered and that some funds were not deposited with the plan administrator. Payroll funds and retirement funds are no longer held in the COG bank accounts and therefore it must be concluded that they were misappropriated to pay unrelated COG expenses.

We noted several grants related to the purchase of computers and other items for the police network. We did not locate grant files that indicated how the COG was tracking these grants. It appeared that the COG had computer related expenditures in excess of the amount of the grants. However, it could not be determined if these expenditures related to the grant. Because inventory and receiving documents were not located it could not be determined if the equipment was used for the computer network. We also noted unpaid vendor invoices related to computer and network related items. Additionally we noted an invoice prepared by COG issued to the firm of Goldberg, Kamin & Garvin for two computers totaling \$5,205.63. This invoice was paid by Samuel Kamin. We were not able to establish if the unpaid vendor invoices were related to the grants, or if computers were sold which were purchased with grant funds.

The Beaver County Community Development Office administered the funding grants awarded through Beaver County. The documentation requirements that they established made it possible for us to more completely review these funds. The Beaver County Community Development Office required COG and HELP to submit a copy of all invoices associated with requested disbursements. The Beaver County Community Development Office reviewed the invoices to ensure they complied with the requirements of the grants. We reviewed this information. We also reviewed the COG and HELP records to ensure that these invoices were paid.

We could not locate any rental agreements or receipt books for the rental units administered by HELP. A ledger book was located listing what appeared to be receipts and deposits. The ledger book did not always provide complete descriptions to determine how the income received was to be applied. We also located several copies of letters listing amounts owed by tenants for rent and other charges dated in 2003 and 2004. The letters indicated that there was in excess of \$20,000 in uncollected rent and other charges. Based on review of the ledger book it appeared \$1,600 of these charges may have been subsequently collected. The level of detail in these letters appeared to indicate that HELP had some method of tracking rental payments that we did not locate during the review.

A complete set of the organization records could not be found. Regrettably, an accurate custody chain of the organizations records could not be determined, therefore it cannot be determined if records were altered, destroyed, or never existed. No formalized policies and procedures were found in the files reviewed. Complete Board meeting documentation and minutes were not found in the files reviewed. Bits and pieces of excerpts from the meeting minutes were noted in the files which seemed to indicate that they did exist at one time. Upon inquiry, we were told by Bettelou Bertoncello that there were "allegations of mass shredding" although the perpetrator was not indicated nor was it indicated if the shredding may have occurred prior to or after the

dismissal of Ms. Sambol.

To reorganize and continue operations the COG needed to address the issue of unpaid bills. Our review was on a "cash basis" and accounts payable was not reviewed in detail. The COG appeared to be in debt in excess of \$250,000; however, during our review we noted unopened mail which possibly could be additional liabilities. Unverified unpaid vendors invoices were noted in the files which exceeded \$160,000. The audit revealed that payroll taxes and pension fund contributions not paid totaled \$102,098.35 plus any penalties and interest. The COG had Surety & Fidelity insurance of \$200,000 but we were told that, in order to collect, a misappropriation of funds had to be established. Without proof that funds were misappropriated for non-approved, non-organizational use the insurance company reportedly would not make payment on a claim. To cover existing debt with insurance funds it would be necessary to prove that over \$200,000 was misused. Audit review of the payments made from the COG bank accounts did not reveal substantial amounts of expenditures for what could be construed to be questionable. Even if all unexplained expenses (approximately \$30,000) and all travel, petty cash, and Christmas party expense are totaled, a maximum of approximately \$60,000 might possibly be considered non-organizational use of funds; but without Board of Directors meeting minutes it cannot be determined if any of these were non-approved expenses. The COG appeared to be spending beyond their means.

No expenditures were noted which actually could be considered proof of fraud. Possible fraud could exist if purchased goods such as computers, which appear to be for legitimate organizational use, were placed into service at non-organizational sites or sold for personal profit. Again complete records were not available to make it possible for this determination. No inventory control records were found, invoices did not itemize purchases by serial number and receiving documentation was not located. Income was noted coming from Samuel Kamin, the attorney for COG, in the amount of \$5,205.63 referencing "Laptops etc." and from John B. Cermak in the amount of \$118.00 with a reference "modem". It would be speculation to assume that these individuals piggybacked purchases to receive favorable pricing and documentation was not found to confirm or deny the possibility that the COG charged more than the purchase price and sold the equipment at a profit.

In conclusion, although it might appear that the organizations were poorly run, it was impossible from the records reviewed to actually determine factually if fraud existed. Our personal opinion is that faced with diminishing grant funding and realizing that income would not be sufficient to cover cost of operation, Ms. Sambol, and the Board of Directors in an attempt to maintain the staff and provide the services which had been so valued and acclaimed tried to spread available funds and pay creditors as they could. This required postponing some bills in favor of paying the most immediate demands. In the process funds were transferred from the various accounts and became tangled together. Unfortunately no new funding source was found and the operations could not, in the end, remain viable.

Controller's Final Note:

To report that the financial record keeping, accounting structure and the management and oversight operation of the Council of Governments of Beaver and Butler Counties and H.E.L.P., Inc. were a total disaster, is not to give justice to the mess the auditors of the Beaver County Controller's Office encountered during their audit of this operation.

I must personally admit that in my own tenure as Beaver County Controller, I have never experienced a government entity or operation run in such a shoddy and unprofessional manner. The total lack of management ability is astounding. The lack of oversight and caring on the part of the board members is disconcerting. The day to day practices that were accepted as proper behavior and business management were atrocious. For a governmental entity that was entrusted with such important matters and such substantial funds to be managed in this way is beyond mere condemnation.

The record keeping and accounting trail is so incomplete that a thorough understanding of exactly what occurred with the funds of these organizations is impossible for the auditors to determine. However, because important pieces of the puzzle can be put together and because there is ample evidence of improper financial practices and personal deceit, there is reason to suspect that malfeasance and intentional manipulations may have and could have occurred. Thus it is my recommendation that the Beaver County District Attorney's Office looks into this matter and begins its own investigation. We realize that the Pennsylvania State Police have been investigating this matter and we wait with interest their report.



Richard W. Towcimak  
Beaver County Controller