



**LUZERNE COUNTY CONTROLLER'S  
ANNUAL REPORT  
MARCH 8TH, 2016**



County of Luzerne  
Established 1786

Michelle Bednar  
County Controller

# County Controller's Annual Report

2

## Duties of the Controller - Section 3.08

- ❖ Prepare and present an annual report to the people of Luzerne County at a Council meeting
- ❖ Highlight the operations and finances of the Controller's Office during the prior year
- ❖ Identify audits completed, major findings, corrective actions taken by appropriate parties, and significant issues not fully addressed

# Powers and Duties of the Controller

3

The County Controller shall:

- ❖ Serve as an independent watchdog over County fiscal and management activities
- ❖ Monitor and examine the County government and its operations
- ❖ Have the authority to conduct fiscal, performance, management, contract, grant, compliance, and/or related audits

# Controller's Office Staff

4

- ❖ Aaron Hojnowski, BSBA, MSF - *Deputy Controller*
- ❖ Wendy Saxe, AS, BS, MBA, EA - *Senior Auditor*
- ❖ Marty Moughan, ASB, 40 yrs. experience- *Auditor*
- ❖ Nancy DeFluri, 20+ yrs. experience - *Internal Auditor*



# Structure of the Controller's Office

5

- ❖ In 2011 the structure of the Office Changed
  - ❑ Accounts Payable was moved to Division of Budget & Finance
- ❖ Main Function is now Auditing and Compliance of County Funds
  - ❑ Keep in Mind without Accounts Payable in the Controller's Office we can only see what has been paid after the fact

# Mission of the Controller's Office

6

- ❖ Examine internal controls
- ❖ Assess compliance with statutory requirements
- ❖ Evaluate operating procedures
- ❖ Audit the accuracy and completeness of records and files pertaining to County funds

# What is Internal Auditing?

7

## Internal Auditing:

- ❑ Is an independent appraisal function in an organization
- ❑ Examines and evaluates the activities of the organization
- ❑ Is used by the Controller's Office to prevent issues and protect County tax dollars

# What is an Audit?

8

- ❖ An audit is an independent review of operations and financial activities
  - ❑ During an audit internal controls are analyzed
  - ❑ Recommendations may be made to improve the effectiveness and efficiency of the audited entity
- ❖ All county activities are subject to audit



# Classification of Audits

9

- ❖ *Class One*: Statutory state-mandated audits
- ❖ *Class Two*: Discretionary audits, based on individual priority and staff availability
- ❖ *Class Three*: High Priority
  - ❑ Not generally known ahead of time
  - ❑ Require immediate attention and have priority over Class One & Class Two audits

# Before an Audit

10

Various factors are pre-determined:

- ❖ Degree of risk of an organization
- ❖ Size of the operation
- ❖ System changes
- ❖ Time since last audit
- ❖ Turnover of key staff members

# During an Audit

11

We look for the following:

- ❖ Inefficiencies in County operations
- ❖ Inadequate checks and balances
- ❖ Non-Compliance with rules and regulations
- ❖ Unintentional human error and occupational fraud

# What occurs when an Audit is complete

12

- ❖ Final audit reports are issued to the following:
  - Audited entity and Division Head
  - County Manager
  - County Council
  - Depending on the audit, other parties
- ❖ Audits are also posted online, with few exceptions, at the Controller's section of the County's website
  - ❑ By law, certain audits, such as the DA Equity Sharing audit, are not matter of public record

# Controller's Office Finances

<u>Account</u>	<u>Account Description</u>	<u>2015 Budget</u>	<u>2015 Expenditures</u>	<u>2016 Budget</u>
510.10	Wages Elected Officials	64,999.00	64,998.96	64,999.00
510.15	Wages Non-Represented	125,000.00	113,187.20	129,000.00
510.20	Wages Represented	41,342.00	42,375.20	43,223.00
510.50	Wages Longevity	1,000.00	1,000.00	1,000.00
520.10	Payroll Taxes Social Security - FICA	14,592.00	13,672.23	14,708.00
520.15	Payroll Taxes Medicare	3,414.00	3,197.56	3,440.00
520.20	Payroll Taxes Unemployment	2,400.00	2,358.88	3,000.00
530.10	Benefits Health Care Opt Out	3,000.00	3,000.00	3,000.00
530.30	Benefits Health Insurance	35,526.00	9,846.00	12,032.00
530.40	Benefits Life Insurance	700.00	700.00	800.00
530.45	Benefits Retirement	36,438.00	36,438.00	38,904.00
540.14	Office Supplies	1,450.00	846.19	855.00
540.70	Small Tools and Minor Equipment	500.00	0.00	270.00
540.73	Postage	350.00	25.45	350.00
550.17	Management / Consulting Services	4,750.00	0.00	0.00
550.19	Special Legal Services	2,500.00	0.00	0.00
550.22	Telephone	200.00	0.00	200.00
550.27	Travel Expense	3,850.00	3,714.94	2,888.00
550.29	Mileage Reimbursement	1,250.00	526.81	550.00
550.30	Advertising	200.00	0.00	200.00
550.32	Printing	200.00	0.00	200.00
550.47	Repairs / Maintenance - Machinery & Equipment	500.00	346.03	500.00
550.48	Repairs / Maintenance - Misc	0.00	0.00	0.00
560.23	Background Check	80.00	20.00	80.00
560.60	Dues / Memberships	600.00	600.00	600.00
560.61	Subscriptions	100.00	0.00	100.00
560.64	Meeting / Conference/ Training Fees	5,500.00	2,752.58	2,850.00
599.46	Machinery and Equipment > \$5000.00	5,100.00	0.00	5,100.00
<b>EXPENSE TOTALS</b>		<b>\$355,541.00</b>	<b>\$299,606.03</b>	<b>\$328,849.00</b>

# 2016 Audits

14

## Description

## Findings/ Recommendations

**Luzerne County Tax Collection 2014  
(Completed)**

- Reconciled each municipality
- Identified any exceptions and notified overpayment to County
- Two tax collectors overpaid the County; the overpaid funds were returned to the tax collectors

**Magisterial District 11-1-02  
(Judge Malloy)  
(Completed)**

- No findings (Previous Magistrate Marty Kane)

**Magisterial District 11-3-08  
(Judge Spagnolo)  
(Completed)**

- No findings (Previous Magistrate Diane Malast)

**DA Equitable Sharing  
(Audited Annually)  
(Completed)**

- Performed the audit as per Department of Justice (DOJ) guidelines

# 2016 Audits

15

## Description

## Goals

**Licensing-  
Fishing, Game/Hunting, Sportsmen firearms permits,  
Dog, Small games of chance, & Bingo  
(In Process)**

- Determine whether all licensing actives were processed and recorded correctly for 2014

**Dental Insurance  
(In Process)**

- Follow up and update findings from prior audit

**Health Insurance  
(In Process)**

- Follow up and update findings from prior audit

**Pension Payment Review  
(In Process)**

- Audit Policies, Procedures, and Payments to Retirees

**Division of Correctional Services Funds  
(In Process)**

- Audit requested by the previous Director for the period of June 2013 thru February 2016

**Hotel Room Rental Tax Audit 2014- Courtyard by Marriott  
(In Process)**

- Finalizing final figures for 2015

# 2016 Proposed Audits

16

## Description

## Goals

**Children and Youth Services**

- Determine amount owed to/from the County to/from CYS

**Office of the Coroner**

- Audit 2015 records

**Individual Tax Collection Audits**

- Review individual tax collectors' methods to ensure they are as prescribed



# 2016 Proposed Audits

17

## Description

## Goals

### **Kronos and Employee Separation Payout**

- Follow up and update findings from prior audit

### **DA Drug Forfeiture Reporting**

- Required Annually

### **Correctional Facility Commissary Fund**

- Required Annually

### **Mailroom Department Billing**

- Analyze current system, policies, and procedures

# 2016 Proposed Audits

18

## Description

## Goals

### **Magisterial District Judges**

- Review internal controls and remittance to the County
- Ensure escrow balance control
- Verify monthly bank account reconciliations

### **Budget and Finance Department**

- Review mileage reimbursement process
- Examine Accounts Payable process
- Evaluate payroll process, including W-2 and 1099 processing
- Review bank account reconciliations

### **Treasurer's Office**

- Analyze receivables process and compliance

# 2015 Audits - Completed

19

<u>Description</u>	<u>Findings/ Recommendations</u>
<b>Magisterial District 11-2-01— 2014 (Judge Carmody)</b>	<ul style="list-style-type: none"><li>▪ No findings</li></ul>
<b>Magisterial District 11-1-01—2013 (Judge Cronauer)</b>	<ul style="list-style-type: none"><li>▪ No findings</li></ul>
<b>Magisterial District 11-3-02—2014 (Judge Whittaker)</b>	<ul style="list-style-type: none"><li>▪ No findings</li></ul>
<b>Magisterial District 11-2-03—2014 (Judge Halesey)</b>	<ul style="list-style-type: none"><li>▪ No findings</li></ul>

# 2015 Audits - Completed

20

## Description

## Findings/Recommendations

### **2015 Vehicle Inventory and Insurance Analysis**

- Two Vehicles were listed when no longer in service

### **Office of the Coroner 2014**

- No findings

### **DA Drug Forfeiture Reporting 2014**

- Performed the audit as per Department of Justice (DOJ) guidelines

### **DA Equitable Sharing Funds 2014**

- Performed the audit as per Department of Justice (DOJ) guidelines

### **LCCF Work Release Audit 2014**

- Recommended receipts be issued to inmates
- Required all checks have two signatures, as per the Home Rule Charter
- Management review transactions with greater scrutiny, since short-staffed creates challenges with separation of duties

# 2015 Audits - Completed

21

## Description

## Findings/ Recommendations

**Hotel Rental Tax Audit 2014- Budget Inn**

- Overpaid \$0.50 in hotel tax

**Hotel Rental Tax Audit 2014- Casino Country Side Inn**

- Correct amount of hotel tax paid

**Hotel Room Rental Tax Audit 2014- Courtyard by Marriott**

- Underpaid by \$1,404.95 with interest

**Hotel Room Rental Tax Audit 2014- Motel 6 Wilkes-Barre**

- Overpaid by \$.20 with interest

**Hotel Room Rental Tax Audit 2014- Genetti Hospitality**

- Overpaid \$4.03 in hotel tax

# 2015 Audits - Completed

22

## Description

## Findings/ Recommendations

### **Hazel Twp.-Tax Collector Audit 2014**

- Recommended all tax bills comply with the Tax Collector's Manual

### **Kingston Twp.-Tax Collector Audit 2014**

- County was owed prorated share of interest from account
- Recommended all tax bills comply with the Tax Collector's Manual

### **Huntington Twp.-Tax Collector Audit 2014**

- No Findings

### **Bail Forfeiture Audit 2008 - 2014**

- No monies unaccounted for or missing

# 2015 Audits - Completed

23

## Description

LCCF Commissary Funds—2014

## Findings/ Recommendations

- **Found the following:**
  - Inconsistencies in sequential receipt numbers
  - Lack of separation of duties
  - Inmate timesheets were not listed in an efficient format
- **Recommended the following:**
  - Access to only one sequential receipt book at a time
  - Two signatures per check, as per Home Rule Charter
  - Separation of duties for depositing and counting monies
  - One time sheet per inmate

# 2015 Audits - Completed

24

## Description

## Findings/ Recommendations

### Homestead Exclusion Audit 2009-2014

- **Found the following:**
  - Records do not provide enough specific information to determine, with certainty, the exact property owner
  - Lack of procedures to manage and verify the Homestead Exclusion list
  - Software not equipped to flag property owners receiving exclusion, in order to prevent duplicate exclusions
- **Recommended the following:**
  - Implementation of owner's date of birth as a unique identifier
  - Formal written policy and procedure be established by the Administration of Luzerne County
  - All Homestead applications be reviewed by Management



# Other Duties of the Controller

25

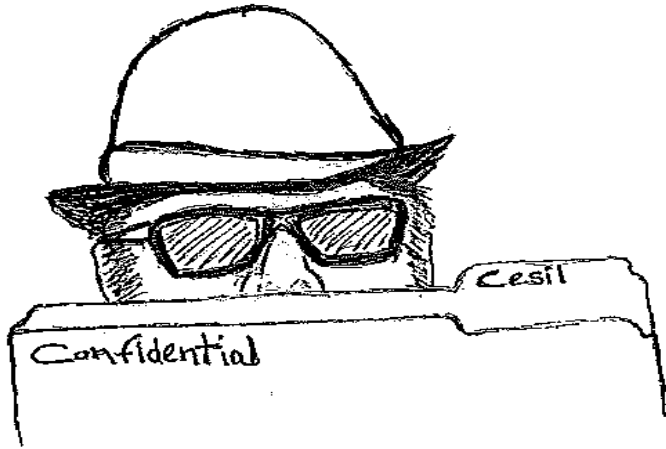
- ❖ ACE Commission Board (*Accountability, Conduct and Ethics*)
- ❖ Constable Advisory Board for the 11<sup>th</sup> Judicial District
- ❖ Oversee Luzerne County Bid and RFP openings
- ❖ Wilkes-Barre/Scranton International Airport
  - Bid Openings (take turns with Lackawanna County)

# CESIL

26

## Citizen & Employee Suggestion & Idea Line

- Hotline- 570-830-5154
- Email- [CESIL@luzernecounty.org](mailto:CESIL@luzernecounty.org)



**All submissions are kept  
Strictly Confidential**

**Thank you  
For  
Your Time**