



***Audit of the
Records Retention Committee
for the Period
January 1, 2010 to December 31, 2010***

**Fieldwork Performed by:
Jason M. Parrish**

Objective and Scope:

The Luzerne County Controllers Office has audited the Luzerne County Records Retention Committee (hereinafter referred to as the committee) for the year ended December 31, 2010. The focus of our audit is limited to determining if the committee has designed and placed into operations controls and procedures to ensure compliance with laws and regulations related to its revenue, expenditures and account activity. It is also management's responsibility to institute controls effective at preventing and detecting fraud, errors or misappropriation of assets.

The Luzerne County Controller's office is required by the Pennsylvania State County Code (hereinafter referred to as the Code) section 1724.1, to perform an annual audit of the fund. This annual audit is an internal auditing function (hereinafter referred to as the audit) authorized under order of the Code, therefore the Controller is required to file this report with the Luzerne County Court of Common Pleas.

Internal auditing is an independent function established within an organization to examine and evaluate the activities of the office under audit. In planning and performing our audit, we considered Government Auditing Standards, issued by the Comptroller General of The United States and generally accepted auditing standards. When applicable, these standards were applied to the objective of our audit.

An audit is not designed to detect fraud. Auditors assigned to the engagement are employed by Luzerne County under the Controllers' Office and report directly to the elected controller and Deputy Controller. The audit staff is considered organizationally independent to conduct and report on the audit.

Methodology:

Includes:

- 1) Identifying the applicable laws, policies, procedures and regulations.
- 2) Identifying and assessing controls.
- 3) Testing revenue and expense transactions for compliance with internal controls and regulations established above.
- 4) We ensured the minutes of each meeting were properly reported.

Our procedures include planning and performing the audit to obtain reasonable assurance about whether the revenues and expenses are presented fairly in accordance with the Code and free of material misstatements. Our findings and conclusions are based on test work which includes sampling evidence supporting the amounts of revenues and expenses. We believe that the evidence obtained provides a reasonable basis for our opinion.

Description:

The committee was established to make sure all vital county records are securely stored in safe locations and can be found when they are requested. In 2010 the Chairman of the Committee was removed from office. A new committee chairman was appointed. Meetings of the committee are held monthly and are open to the public.

Opinion and Conclusion:

In our opinion, the committee correctly received, recorded, reported and reconciled all funds related to their office. The testing performed in this audit revealed no material financial findings, misstatements or other non-compliance activities.

Testing Methodology:**Expenditures:**

We ensured that all expenditures were approved in accordance with policies and procedures set forth by the Controller's Office, were supported by adequate documentation, and were disbursed from the proper fund.

Revenues:

We ensured that all revenues were recorded and reported.

Minutes:

We ensured the minutes of each meeting were properly reported.

Findings:

1. Check # 401033 written from the 500 fund to LRW Solutions was not properly approved in accordance with the Controller's Office policy. Two signatures are required and only one signature appeared. It was voided due to LRW Solutions being paid over the approved contracted amount.
2. One individual approved the payment authorizations for check # 401087 to Business Automation Services and check # 401088 to the Luzerne County Treasurer and no one approved them. According to the Controller's Office policy two signatures are needed on every payment authorization.
3. The minutes were only provided for July through December 2010. There were no minutes provided for January through June 2010.

Recommendations:

1. All payment authorizations should be created by someone other than the person approving the expenditure for payment. There should also be two different signatures on all payment authorizations submitted to the Controller's Office for payment. In accordance with the Controller's Office policy required two signatures on each payment authorization.
2. Minutes should be recorded at all meetings and be made available to the public. This is in accordance with the sunshine law. There should be a financial statement presented with the beginning and ending bank balance in the minutes at each meeting.
3. Due diligence should be taken to ensure contract are adhered to. All bids and contracts should be approved by the Committee then sent to the Commissioners for approval.

Responses:


Commissioner's assistant stated that all minutes have been taken at every meeting since the new chairman was appointed. There is a bank balance reading for every fund and everyone is aware of how money is being used---before any payment a Motion for Approval by the committee is made and recorded in the minutes. She also stated that there will be an effort made in the future to ensure that all payment authorizations are correctly signed and authorized in the future.

The Chairman stated that the finding regarding check # 401033 happened before he took over and concurred with the controller's office that this check should not have been paid. It was also stated that from this point forward there will always be two signatures included on payment authorizations. There were no Records Retention Committee Minutes for the period of January 1, 2010 through June 30, 2010 due to no meetings taking place during that time period. The new Chairman took over in June and meetings began in July and the minutes have been taken at every meeting since the new Chairman started. The Chairman has formally adopted the recommendations of the Audit and incorporated the Audit Recommendations as part of the official record for the Records Retention Committee.

Controller's Office:

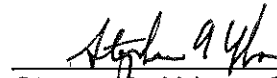


Walter L. Griffith Jr., Controller



Jason M. Parrish, Auditor

Records Retention Committee:



Steven A. Urban, Chairman

Stephen