

WALTER L. GRIFFITH, JR.
County Controller

FRANCIS PINNACOLI, JR.
Deputy County Controller



THOMAS MOSCA, ESQ.
Solicitor

COUNTY of LUZERNE
P E N N S Y L V A N I A
ESTABLISHED 1786
OFFICE OF THE CONTROLLER

***Audit of the
Luzerne County
Government Study Commission Funds
For the Period
June 1, 2009 to November 30, 2010***

**Fieldwork Performed by:
Patricia Llewellyn**

Objective:

To determine whether the Government Study Commission (GSC) complied with the Commonwealth's Consolidated Statutes, Title 53, Sections 2919 and 2921 during the period beginning June 2009 and ending November 2010.

Scope:

We reviewed the expenses and revenues for the period to ensure the GSC funds were used in compliance with the statute, that adequate documentation was maintained for dispensing the funds and that revenue was tracked accurately and reported properly.

Methodology:

The audit included examining evidence supporting amounts as they pertained to the financial statements. The audit also included tests of internal controls as well as other non-compliance activities. We believe that our audit provides a reasonable basis for our opinion.

Management Opinion and Conclusion:

In our opinion, the funds collected and disbursed by the Luzerne County GSC are received, recorded, reported and reconciled accurately with few exceptions. The testing performed in the audit revealed no material financial findings, misstatements or other non-compliance activities. We did note several instances in which some clerical errors were made, however, there is minimal financial impact. We have included recommendations to improve the record keeping and eliminate future occurrences.

Testing Methodology:

We selected the entire population of disbursements for the 2009 and 2010 periods for a total of 60 transactions. We reviewed the payments to ensure the disbursements were performed accurately, supported by adequate documentation and were allowable under Title 53.

Based on the disbursement testing, we reviewed the meeting minutes to determine payments to individuals were approved by the GSC for a sample of 4 vendors receiving multiple payments. We found the minutes supported the payments in all instances tested.

We performed a cursory review of the minutes to determine we received the documentation requested and if the GSC was complying with motions, by-laws and procedures adopted by the Commission.

During our review of the minutes, we noted that the County Commissioners stipulated the GSC must follow the County Purchasing Policy as a condition of the 2009 Expense Allocation. The Purchasing Policy states purchases in excess of \$7,500.00 require bids and must seek public requests for all professional services to ensure all interested parties have the opportunity to apply. The GSC complied by submitting a Request for Proposal for the Professional Consultant being sought.

We selected the entire population of receipts, 2 items, to verify the items were properly recorded, reconciled and supported by adequate documentation.

We requested the bank reconciliations for 2009 and 2010 to ensure accuracy and verify the cash balance was adequately reported and maintained in the account. We verified the allocations, disbursements and reconciliations were processed and reported accurately.

The GSC was provided annual allocations from the County General Fund to cover expenses necessary to complete the study. The funds were transferred from the General Fund to a newly created Government Study Commission Fund based on approval by the Commissioners. We requested documentation to support the transfer of the funds and verify Commissioner approval was performed.

Prior to the audit, it was determined that the Controller's office had conflicting 1099 information for one of the vendors being used by the GSC. We requested copies of the cancelled checks from the Treasurer's office for the 9 disbursements made to the vendor to compare the endorsements to the payee to which the check was made for consistency.

Testing Findings:

Upon review of a mileage reimbursement, it was noted that the amount calculated on the Payment Authorization was inaccurate. The payment was made at \$72.38 when it should have been paid at \$72.60, an underpayment to the individual of \$0.22.

We noted in the same transaction that the supporting documentation did not include the Map Quest mileage distances, as approved at the July 29, 2009 meeting. Lack of supporting documentation makes it difficult to determine if the mileage submitted is accurate.

Through our disbursement testing we identified 5 invoices submitted by the GSC for payment multiple times resulting in an overpayment to one vendor of \$500.22. In an effort to quantify the amount we requested the entire account history from the vendor, The Scranton Times, and they indicated the GSC currently has an unpaid balance. The invoices produced by the vendor showed that, in addition to

the overpayment, there were 7 invoices totaling \$252.00 not submitted by the GSC to the Controller's office for payment.

We found an overpayment made to an individual for legal ad reimbursements. The invoices submitted totaled to \$465.67, while the summary prepared by the individual listed \$530.17. The documentation included 2 invoices not in the summary information and the summary included 2 other amounts not supported by the invoices. The net overpayment was \$64.50.

While reviewing the same transaction, we noticed the dates of the expenses were incurred in October through December 2009 and not presented for approval at the GSC meeting until January 27, 2010. The Motion approved for expense reimbursement at the July 29, 2009 meeting states "...and any other expenses that are deemed necessary, must be turned in at the end of each month to the Treasurer for presentation to the full Commission before payment." The invoices in question were held by the individual and submitted up to 90 days after the expense was incurred, which violates the requirements of the Motion and skews the monthly expense reporting for the Commission.

We also noted the July 29, 2009 Motion included a requirement for all necessary expenses to be approved for payment by the majority of the Commission. The Treasurer will present a line item report to the Commission and then vote according to the Treasurer's report to approve reimbursement. We were able to locate reports to verify approval was received on 31 (52%) of the 60 transactions disbursed. The reports could not be located to support approval on the remaining 48% of checks disbursed.

We found, for the 64 scheduled meetings, the official file contained documented minutes supporting 33 (52%) of the meetings held. We attempted to locate the documents in the files provided, however, could not find the remaining 48%. The GSC is required to submit all documents to the County Manager for permanent safe keeping and available for public inspection. The missing minutes could also account for the number of transactions for which we could not locate Treasurer's reports and Commission approval.

As mentioned in our testing methodology, the GSC submitted an RFP for the Professional Consultant, however, prior to the Commission receiving the allocation and terms, it was decided by vote to hire a Solicitor and Clerical Assistant. The GSC invited interested parties to apply for each position by a meeting announcement during proceedings and did not publicly advertise that the positions were being sought.

As of November 2010, the GSC had unused funds remaining in the bank account in the amount of \$29,120.99.

We located the approval of the 2009 transfer from the General Fund to the Government Study Commission, however, could not locate the approval in the

Commissioners' minutes for the 2010 transfer which occurred on February 12, 2010 in the amount of \$51,400.00. The funds should not have been transferred without prior approval of the Commissioners.

The 9 checks were made payable to GrassRoots Green Direct Consultants. We found the endorsements on 3 of the 9 checks were made by Golden Gate, LLC and one instance where the endorsement is illegible, but is clearly not the payee name. We found the remaining 5 checks had no endorsement at all, however, in all instances the bank honored the checks.

Testing Finding Recommendations:

Upon submitting a payment authorization, the GSC should verify the amount requested is accurate. In this instance the amount is immaterial, however, in the event the over/under payment is significant, the item should be reconciled and payment corrected through a refund or additional payment to the individual.

The GSC should ensure the items submitted for payment are supported by the required documentation.

The GSC should contact The Scranton Times and request an account history for the ads published. The items should be reconciled to determine if there are any open items, for which payment is due and/or if overpayments were made to the vendor. Upon completion, the GSC should request a refund or payment be made from/to the vendor, as necessary.

Reimbursements should be supported by receipts and/or invoices and payment should be made from the documentation supporting the transactions rather than a separately prepared statement to ensure accuracy. The GSC should review the payment in question to determine if additional funds are owed to the individual or if a refund is due the commission.

The GSC should ensure the expenses incurred are reported and submitted within the time frame as required by the adopted motions to ensure payments are disbursed timely and expenses are recorded and reported accurately.

The GSC should locate the expense reports submitted for approval by the Commission for the transactions in question and submit the reports to the Controller's office for review. A copy should also be maintained with the official documentation as permanent record and available for public inspection.

The GSC should locate the minutes and submit the documents to the Controller's office for review. A copy should also be maintained with the official documentation as permanent record and available for public inspection. The dates for the meeting minutes in question follow:
2009: November 25th, December 23rd and 30th

2010: February 3rd, 17th and 24th, March 3rd and 10th, April 7th, 21st and 28th, May 5th, 12th, 19th and 26th, June 2nd, 9th, 16th and 23rd, July 28th, August 4th, 18th and 25th, September 1st, 8th, 15th, 22nd and 29th, October 6th, 13th and 20th.

The GSC should review the practice of hiring professional services prior to verifying the procedures with which they should comply. The Commission should review the circumstances and determine if policy was violated and if corrective action is necessary.

After a reconciliation of the Scranton Times and legal ad reimbursement payments are completed, the GSC should contact the County Treasurer's Office and request the bank account be closed. The remaining funds should be transferred to the County General Fund, upon Commissioner approval.

The Luzerne County Commissioners should locate the documentation supporting the approval of the 2010 transfer to the GSC and provide a copy to the Controller's office for review.

The Luzerne County Treasurer should review the checks in question, contact the bank and determine the reason the bank processed the checks with invalid or incorrect endorsements. The Treasurer should instruct the bank to not process checks with invalid or incomplete endorsements.

Responses:

The Government Study Commission submitted a letter to act as their formal response, although none of the findings or recommendations are addressed. A copy is included as an attachment to this report.

The Luzerne County Commissioners provided the documentation supporting the 2010 transfer to the GSC. The item was approved as part of the Budget adopted by the Commissioners at the February 12, 2010 Special Commissioners' Meeting. A copy of the minutes and budget line item showing the allocation have been placed in the permanent file by the Controller's office.

The Luzerne County Treasurer has contacted the bank and their response is included as an attachment to this report.

Controller's Office:



Francis Pinnacoli, Jr., Deputy Controller

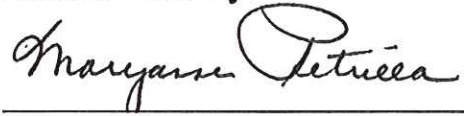


Patricia J. Llewellyn, Senior Auditor

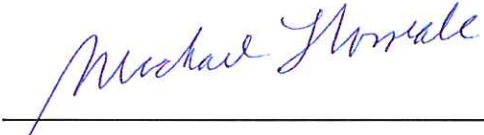
Government Study Commission:

See Letter Attached

Luzerne County:



Maryanne Petrilla, Chairman



Michael Morreale, Treasurer

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March 3, 2011

Walter L. Griffith, Jr.,
Luzerne County Controller
20 North Pennsylvania Avenue, Suite 213
Wilkes-Barre, PA 18702

Via email only

Re: Luzerne County Government Study Commission ("GSC")
Your Telephone: 570-825-1629
Your Facsimile: 570-825-5118

Dear Mr. Griffith:

This is in response to your email to me dated February 28, 2011. I have conferred with the GSC's former chairman, James J. Haggerty, Esquire, and he asked that I submit his response to your inquiry.

1. The GSC's legal existence ended in November 2010. As a result, no one has any authority, including me as the former Solicitor or Mr. Haggerty as the former Chairman, to act on behalf of the GSC.
2. The GSC has fully and completely complied with all of the financial reporting requirements of the Home Rule and Optional Plans Law and the Controller has no authority to impose additional conditions on the GSC over and above the requirements of the state law.

Please provide this letter as a response to your final report when submitted.
Thank you for your courtesy.

Sincerely yours,



Jeffrey J. Malak

JJM/mb

cc: James J. Haggerty, Esquire via e-mail



March 11, 2011

Ms. Laura Beers
Office Manager/Tax Administrator
Luzerne County Treasurer's Office
200 North River Street
Wilkes Barre PA 18711

Dear Laura:

This letter is in response to your inquiry forwarded to Lisa Nicoletti regarding certain checks drawn on Luzerne County's account made payable to "GrassRoots Green Direct Co" which were deposited into an account held at PNC Bank in the name of "Golden Gate, LLC". It is our understanding that Golden Gate LLC conducts business under the assumed name of GrassRoots Green Direct Consultants. Therefore, we believe that the checks were properly deposited into the account of the intended payee.

Please call me at 961-6222 if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads 'Sharon A. Mundrake'.

Sharon A. Mundrake
Vice President
Treasury Management