



**COUNTY *of* LUZERNE**

P E N N S Y L V A N I A  
ESTABLISHED 1786

**OFFICE OF THE CONTROLLER**

***Review of  
Licensing Department  
2014***

**Michelle A. Bednar  
Luzerne County Controller**

**Fieldwork Performed by:  
Wendy Saxe**

## **Background**

The Licensing Department processes a variety of licenses and permits issued in Luzerne County. In some cases, they are the sole issuer of a certain license or permit; in other cases, the purchaser has other options. In most cases, the vast majority of the fees collected are taken by the Commonwealth of Pennsylvania.

### *Fishing Licenses*

#### *Details*

In Luzerne County, there are seven types of fishing licenses available—Resident, Senior Resident, Lifetime Senior Resident, Non-Resident, Seven-Day Tourist, Three-Day Tourist, and Trout Salmon—for those age sixteen and up. The costs range from \$9.70 for a Trout Salmon permit to \$52.70 for a Non-Resident fishing license.

The licenses may be obtained at the Luzerne County Licensing Department at Penn Place on Pennsylvania Boulevard in Wilkes-Barre, PA or they may be obtained online on the Pennsylvania Fish & Boat Commission's website at <http://www.fish.state.pa.us>. For a list of costs, visit [http://www.luzernecounty.org/county/departments\\_agencies/licensing/fishing](http://www.luzernecounty.org/county/departments_agencies/licensing/fishing).

#### *Revenue Distribution*

Of the amounts collected by Luzerne County for fishing licenses, \$1 per license is retained by Luzerne County; the remainder is taken weekly by the Commonwealth of Pennsylvania.

### *Game/Hunting Licenses*

#### *Details*

Likewise, there are four categories of hunting licenses available—General Hunting, General Furtaker, Other Resident, and Other Non-Resident—with a total of thirty-five sub-categories. The costs range from no charge for a Resident Disabled Veteran General Hunting or Furtaking License to \$250.70 for a Non-Resident Elk License.

Certain licenses (namely, Elk licenses) may only be obtained through the Pennsylvania Game Commission, whereas other licenses may only be obtained at the Luzerne County Licensing Department at Penn Place on Pennsylvania Boulevard in Wilkes-Barre, PA. For a list of costs and details, visit [http://www.luzernecounty.org/county/departments\\_agencies/licensing/hunting](http://www.luzernecounty.org/county/departments_agencies/licensing/hunting).

#### *Revenue Distribution*

Of the amounts collected by Luzerne County for game/hunting licenses, \$1 per license is retained by Luzerne County; the remainder is withdrawn weekly by the Commonwealth of Pennsylvania.

## Sportsmen's Firearms Permits

### *Details*

The Licensing Department sells Sportsmen's Firearms Permits for hunting and fishing; the licenses cost \$6.00 and are effective for five years. The purchaser must appear in person at the Licensing Office with proof of identity (e.g., driver's license or state-issued identification card) and must possess a current Pennsylvania hunting or fishing license.

These permits differ from a concealed weapons permit, which is available through the Luzerne County Sheriff's Office. A Sportsmen's Firearms Permit does not allow for the firearm to be concealed or loaded and can be obtained at the Luzerne County Licensing Department at Penn Place on Pennsylvania Boulevard in Wilkes-Barre, PA. For details, visit [http://www.luzernecounty.org/county/departments\\_agencies/licensing/sportsmen\\_firearms](http://www.luzernecounty.org/county/departments_agencies/licensing/sportsmen_firearms).

### *Revenue Distribution*

Of the amounts collected by Luzerne County for sportsmen's firearms permits, the full amount (\$6 per license) is retained by Luzerne County.

## Dog Licenses

### *Details*

Pennsylvania state law dictates that all dogs three months or older must be licensed. Dog licenses must be purchased by January 1 of each year, regardless of when the license was purchased the prior year. State dog wardens may issue fines up to \$300 plus court costs per dog for violation of this law.

A dog license may be obtained online, by mail, in person, or through a dog license agent. Regular and Lifetime licenses are available, with discounts available to senior or disabled citizens. For costs and details regarding all options, visit [http://www.luzernecounty.org/county/departments\\_agencies/licensing/dog\\_licenses](http://www.luzernecounty.org/county/departments_agencies/licensing/dog_licenses). For a list of the dog license agents, visit [http://www.luzernecounty.org/county/departments\\_agencies/licensing/dog\\_license\\_agents](http://www.luzernecounty.org/county/departments_agencies/licensing/dog_license_agents).

The Licensing Department has instituted a means of locating owners of lost dogs. To view information about Luzerne County's Lost and Found program, please visit [http://www.luzernecounty.org/county/departments\\_agencies/licensing/dog\\_lost\\_found](http://www.luzernecounty.org/county/departments_agencies/licensing/dog_lost_found).

### *Revenue Distribution*

Of the amounts collected by Luzerne County for dog licenses, \$1.45 per license was retained by Luzerne County for licenses obtained online, by mail, or in person and \$0.95 per license was retained by Luzerne County for licenses obtained through a dog license agent; the remainder is removed weekly from the License Fee bank account by the

Commonwealth of Pennsylvania. In December 2014, these amounts were increased by \$0.05 per license.

### Small Games of Chance

#### *Details*

The Pennsylvania Crimes Code states that all forms of gambling are illegal unless the PA Legislature specifically has authorized the gambling activity by statute. To qualify as gambling, the following three elements are needed: consideration, chance, and prize/reward.

The Pennsylvania Local Option Small Games of Chance Act was passed in 1988 and has been amended several times since its enactment, most notably by Acts 2 and 184 of 2012 and Acts 90 and 92 of 2013. The small games of chance law authorizes certain non-profit organizations, known as eligible organizations (including club licensees), and for-profit taverns to conduct limited types of gambling. The Luzerne County Licensing Department is the exclusive agent for the issuance of small games of chance licenses in Luzerne County.

A regular (annual) license currently costs \$125; it cost \$100 before 1/27/14. A monthly license (valid for 30 days) costs \$25; this replaced the former Limited Occasion License (valid for 7 days) that was \$10. Special raffle permits are available at a cost of \$25. For more information regarding Small Games of Chance, visit [http://www.luzernecounty.org/county/departments\\_agencies/licensing/small\\_games\\_chance](http://www.luzernecounty.org/county/departments_agencies/licensing/small_games_chance).

#### *Revenue Distribution*

All amounts collected by Luzerne County for small games of chance are retained by Luzerne County.

### Bingo

#### *Details*

The Luzerne County Licensing Department is the exclusive agent for the issuance of bingo licenses in Luzerne County. Non-profit organizations that have existed and have conducted business for at least two years prior to application are eligible to apply for a bingo license. First-time applicants must provide a copy of their by-laws and articles of incorporation; senior citizen groups can apply immediately upon being organized.

The fees for bingo licensing are set by the Commonwealth of Pennsylvania and range from \$100 (yearly) to \$50 (senior citizen groups) to \$15 (1 to 3 days). The bingo application and more detailed information can be found at [http://www.luzernecounty.org/county/departments\\_agencies/licensing/bingo](http://www.luzernecounty.org/county/departments_agencies/licensing/bingo).

## *Revenue Distribution*

All amounts collected by Luzerne County for bingo are retained by Luzerne County.

## *Boat Transfers and Permits*

The Luzerne County Licensing Department no longer processes boat transfers and launch permits. For a list of the Luzerne County Issuing Agents, visit [http://www.luzernecounty.org/county/departments\\_agencies/licensing/boat\\_transfers](http://www.luzernecounty.org/county/departments_agencies/licensing/boat_transfers).

## **Objective and Scope**

The objective of this review was to determine whether licensing activities were processed and recorded correctly for the year 2014.

In order to accomplish the objective, the Controller's Office obtained for 2014:

- All game/hunting and fishing licenses applications
- All sportsmen's firearms permit applications
- All dog license records (which included mail, over the counter, online, and special agents)
- All small games of chance and bingo applications
- Bank statements for License Fee Account

The Luzerne County Controller's Office strives to objectively and systematically evaluate functions, procedures, and activities to ensure that each are executed in the best, most efficient way. Our reviews are tailored to the unique circumstances of each office, and we work with management to ensure accountability and direction.

The Luzerne County Controller's Office is authorized by the Home Rule Charter of Luzerne County (Charter) Section 3.08 to conduct fiscal, performance, management, contract, grant, compliance, and related audits of any County division, bureau, office, agency, board, commission, elective office, The Judiciary, Office of Court Administration, or other administrative office. This review is an internal function, authorized by the Charter. Therefore, the Controller is required to transmit this review to the Manager of Luzerne County and County Council and post it for public inspection in the Controller's Office and on the County website and/or other electronic medium for a period of at least 60 days after it is issued. The Controller will also follow up on any recommendations, to the extent practical, in order to determine if they have been considered and/or implemented.

Auditors assigned to the engagement are employed by Luzerne County under the Controller's Office and report directly to the elected Controller. The audit staff is considered organizationally independent to conduct and report on the audit.

## Methodology

The main point of contact in the Licensing Department was the Bookkeeper, who was very helpful in providing records and sharing knowledge. Additionally, the Staff Accountant in the Budget and Finance Department was extremely helpful in aiding with bank reconciliation differences.

The overarching methodology used by the Controller's Office was as follows:

- Use source documents for each of the license categories to determine correct amounts for deposit to the License Fee Account and ascertain the amounts that should have been subsequently deposited to the General Fund
- Compare these amounts to the internal records of the Licensing Department
- Compare these amounts to those deposited, as shown in New World Systems
- Verify that correct deposit amounts were made to the bank

It is important to note the fact that, with the exception of sportsmen's firearms permits, there is no easy calculation to determine the number of licenses processed or the revenue generated. For instance, with sportsmen's firearms permits, if the revenue were known the number of permits could easily be calculated: \$282.00 revenue divided by \$6.00 per permit equals 47 permits. Likewise, the reverse is true: 47 permits times \$6.00 equals \$282.00 in revenue. However, all other categories include a myriad of combinations, so such a calculation is impossible.

### Fishing Licenses and Game/Hunting Licenses

The Controller's Office reviewed 100% of all fishing license applications and found that the totals matched for every month, with no exceptions.

The Controller's Office reviewed 100% of all game/hunting license applications and found that the totals matched for every month, with one exception. In December 2014, the total revenue recorded by the Licensing Department was \$13.40 higher than the detailed applications showed.

The Controller's Office's review determined revenues of \$76,710.50 were collected and 10,991 licenses were issued in 2014, which would indicate that total General Fund revenues for Luzerne County from game/hunting and fishing licenses should have been \$10,991.00 (\$1 per license). In New World Systems (NWS), the County's accounting system, the total revenues showed \$10,815.00. Information about this difference of \$176.00 will be discussed later in this report.

It is noteworthy to mention that game/hunting and fishing licenses are processed through a website overseen by the Commonwealth of Pennsylvania. The numbering system is dictated by that website and internal forms are not used for this processing. Additionally, this website does not allow the user to view the total count of licenses for a specific time period; hence, the Controller's Office was unable to verify if its calculation of 10,991 licenses was accurate.

### Sportsmen's Firearms Permits

The Controller's Office reviewed 100% of all sportsmen's firearms permits and found that the totals matched exactly. There were a total of 47 permits issued and \$282.00 in revenues for Luzerne County in 2014. This amount tied to NWS.

Additionally, the sequentially numbered permits were verified and letters to the Pennsylvania State Police were reviewed, with no issues being found.

### Dog Licenses

The Controller's Office reviewed 100% of all dog license reports, including those processed by special agents.

As explained earlier, dog license applications can be received in person, by mail, online, or through one of the satellite agents. The costs vary for regular, lifetime, senior discount, and disabled discount licenses, as well.

The Controller's Office concluded that revenues of \$192,366.70 were collected and 26,833 dog licenses were issued for 2014, from which \$35,336.85 in General Fund revenues was calculated. To compute this amount, three separate calculations were performed: regular dog licenses (in-person and mail), online and SPCA dog licenses, and satellite agent dog licenses. From those license totals, the number of voided licenses was deducted before multiplying the amount by \$1.45 or \$0.95, depending on the classification. Because there is a lag between when licenses are sold and receipted, the review focused on December 2013 through November 2014, which was before the rate change.

This does not include any reversals or refunded licenses. In NWS, the corresponding amount was \$34,449.24, for a difference of \$887.61, which will be addressed later in this report.

### Small Games of Chance, Bingo, and Special Raffles

The Controller's Office reviewed 100% of all small games of chance, bingo, and special raffle permits and verified that they were issued in sequential order, with two exceptions. Out of 357 permits issued, two were issued out of order; this was due to the transition between departments and untimely ordering of supplies. Small games of chance, bingo, and special raffle permits were issued in the Treasurer's Office until September 2014, at which time they were transferred to the Licensing Department.

The total revenues received due to small games of chance, bingo, and special raffles, per the applications, was calculated by the Controller's Office to be \$31,355.00; the Treasurer's Office processed \$24,910.00 of that amount, while the Licensing Department processed \$6,445.00 of that amount. The amount recorded in NWS was \$33,405.00, for a difference of \$2,050.00.

### Differences Addressed

In total, the differences between the revenues calculated by the Controller's Office and the amounts deposited to the General Fund using the NWS accounting system was \$986.39.

There are several reasons that contribute to the complexity of this audit and explain these differences.

First, the processing occurred in two departments, with at least three individuals having some part in the processing. At no time during this review was any fraud or misappropriation of funds detected, but the transition between departments was not seamless.

Second, it appears there was a lack of proper training. Feedback indicated there would be a greater level of confidence if formal training were a part of the initial process. This deficiency was exacerbated by the fact that there are no written policies or procedures. Feasibly, if an adequate procedures manual were in existence, a non-licensing employee should be able to accurately process any license with little to no training.

Third, with regard to Small Games of Chance and Bingo, it was discovered that there were instances before the transition when the amount on the form was incorrect. For instance, on several occasions a monthly application was correctly processed, recorded, and deposited for \$25.00, but the voucher showed \$125.00. Additionally, on January 27, 2014, there was a price change from \$100.00 to \$125.00 for annual small games of chance licenses and from \$10.00 to \$25.00 for limited occasion licenses.

Fourth, licensing accounts were reclassified in NWS partway through the year in 2014. This added to the difficulty of reconciling differences.

Fifth, the Licensing Department must still use three different software packages for dog licenses. The first, padoglicenses.com, is used for virtually all non-lifetime dog licenses. However, both BCS and Computata (prior systems) must be referenced, at times, in order to process duplicate licenses for past lifetime dog licenses.

Sixth, bank reconciliations were not completed by the Budget and Finance Department until sometime in the following year (2015). This made it difficult for the Licensing Department to verify that deposits were properly made and recorded accurately. The Budget and Finance Department has since acquired an employee who has reconciled all previous bank reconciliations and keeps them current.

Seventh, when looking at the individual transactions in NWS, some minor errors were discovered. However, since the NWS report is 628 pages long and there are typically an average of 30 entries per page (for a total estimated count of approximately 19,000 entries), the Controller's Office chose not to pursue identifying each erroneous entry (which, proportionally, appear to be very few). Since the regular withdrawals from the



License Fee Account by the Department of Pennsylvania did not result in shortages—suggesting proper amounts were deposited for their portion of the fees—it is believed by the Controller's Office that there were no material errors made with regard to the processing of licenses and the differences are the result of inadequate internal records.

### **Condition 1—Need for Improved Recordkeeping**

While a large number of license applications were processed with great accuracy, the Licensing Department would benefit from an improved recordkeeping system. The Controller's Office has created and shared a modified Excel spreadsheet with the Licensing Department for use in this matter. This would provide a quick and reliable double check for the department, relying less on manual input and increasing accuracy. It would also make the records easier to audit in the future.

#### **Effect**

Since so much data was manually entered, there were instances where non-material errors occurred on the internal license tracking spreadsheet. However, it was shown that the correct amounts were collected by the Licensing Department, deposited with the Treasurer's Office, and later deposited to the bank.

#### **Cause**

There are currently only two employees who process the walk-in and mail applications. Some of the licenses have extremely busy times (like hunting in July and August or dog licenses from December through March). Additionally, the small games of chance and bingo applications were relocated to the Licensing Department during 2014, which further complicated the bookkeeping and increased demands on workers.

### **Condition 2—Lack of Separation of Duties**

Since there are only two individuals who process licenses and one of those two who does the bookkeeping and makes the deposit, the same person who has recorded the transactions and made the deposit for them could feasibly be the person who processed the license applications.

#### **Effect**

There seems to be little effect, since the licenses are either internally sequentially issued or externally controlled through the Commonwealth of Pennsylvania. However, whenever money is involved, it is wise policy to separate duties.

#### **Cause**

The Controller's Office believes this situation exists due to staffing reductions.

### **Condition 3—Need for Training and Cross-Training**

Licensing has been moved between departments. At the same time, changes occurred in how licenses have been issued (e.g., many of them are now issued using a Commonwealth of Pennsylvania website). As often happens, duties were transferred to others without including comprehensive training.

#### **Effect**

Since the current bookkeeper is the only person who knows the various aspects of licensing, it would be prudent to cross-train others in the area of licensing as a precautionary measure.

#### **Cause**

The Controller's Office believes the lack of training is a systemic problem throughout the County.

#### **Observations**

1. No monies were determined to be missing during the time frame of this audit.
2. The amount of regular deposits made by the Licensing Department to the License Fee account were reconciled. The difference between the two amounted to a total under-deposit of \$10.60, which was viewed as an immaterial clerical error.
3. A money drawer difference of \$15.93 was noted for the entire year. These excess funds were part of the deposit to the General Fund and were not previously noted in this report. These amounts were attributable to minimal overpayments being mailed for licenses, predominantly dog licenses.
4. The total amount of revenue due to the General Fund for all licensing activity in 2014, as calculated by the Controller's Office, was \$77,964.85. The total amount of revenue allocated to the General Fund for all licensing activity in 2014, as shown in NWS, was \$78,951.24.

#### **Recommendations**

1. The Controller's Office recommends using the modified Excel spreadsheet provided to the Licensing Department. This will: alleviate a portion of the Bookkeeper's burden, better ensure the accuracy of totals, and provide a method to correctly track the General Ledger amounts. It will also simplify the audit process for the future, making it more efficient.

2. The Controller's Office recommends an additional Licensing department employee be trained to record totals for the day in the Excel spreadsheet and to prepare deposits. A third person should verify and make deposits. Additionally, a system should be devised to confirm the amount and categorization of deposits into NWS.
3. The Controller's Office recommends that a complete procedures manual be written to cover every area of the Licensing Department.

Please Note:

**Luzerne County Home Rule Charter: Section 3.08 (C.) 3.**

***The audited entity shall respond in writing, specifying agreement with the audit findings and/or recommendations or the reasons for disagreement with the findings and/or recommendations, along with any plans and timetable for implementing remedies. The response shall be provided to the Controller within 14 days after the audited entity's receipt of the draft audit. The Controller shall include the audited entity's response in his/her final audit report.***

Please respond to this audit as prescribed, by 5:00 pm, May 20, 2016.

**Signature Page  
Licensing Department  
2014**

**Controller's Office:**

Michelle A. Bednar 5/5/16  
Michelle A. Bednar, Controller Date

Wendy Saxe 5-5-16  
Wendy Saxe, Senior Auditor Date

**County Manager's Office:**

C. David Pedri 5/11/16  
C. David Pedri, Acting County Manager Date

**Licensing Department:**

Dave Parsnik 5/11/16  
Dave Parsnik, Division Head, Administrative Services Date

Theresa Schobert 5/6/16  
Theresa Schobert, Bookkeeper Date

**Treasurer's Department:**

Brian Swetz 5/11/16  
Brian Swetz, Division Head, Budget and Finance Date

Laura Beers 5/11/16  
Laura Beers, Treasurer's Office Manager Date

The following page was provided by Theresa Schobert from the Licensing Department as a response to this audit.

As a response to the finding of a difference of \$4,988.21 in the General Fund pertaining to revenue derived from the sale of dog licenses, the Bookkeeper believes that the conclusion reached by the Controller's Office is incorrect.

The Controller's Office found that 28,026 dog licenses were sold in 2014. Only 26,542 dog licenses were sold during the 2014 season. Each season starts in December of the preceding year and continues through November of the season in question. Therefore, dog licenses which were processed in December 2013 would be included with the 2014 sales and licenses sold in December 2014 are counted amongst the sales for the 2015 licensing year.

Additionally, any revenue derived from sales by licensing agents is not receipted until the month following the date of receipt. These agent sales account for one-fourth of the license sales and are calculated at a different rate than those sales performed online or within the licensing office.

Finally, not all of the ACH credits from online dog licensing sales (or the ACH credits from the SPCA) are receipted within the same month as the date when the sales occur.

Throughout the entire 2014 season, dog license sales were confirmed on a daily basis utilizing the PAdoglicense.com Summarized and Reconciliation report which was balanced and reconciled with the revenue collection reflected in the NWS Revenue Collection Edit Listing report. After the sales were verified each day, the Bookkeeper prepared a bank deposit and sent it to the Treasurer's Office. The Licensing Department's deposit was then split between the General Fund and the Licensing Fee Account. The amount which was allocated to the General Fund was calculated automatically through NWS each time a separate transaction was entered in the cash register. These calculations are performed according to the formula imbedded within NWS. This total amount was also confirmed manually by the Bookkeeper on a daily basis by counting the number of licenses sold. Therefore, the Bookkeeper feels confident in stating that no errors occurred in receipting.

As a response to the recommendation for improved record keeping, the Bookkeeper has already incorporated a new and improved Excel spreadsheet to accommodate all changes made to the way in which revenue is now deposited in the bank. Now all of the collected revenue is deposited into the License Fee Account and a transfer to the General Fund is made monthly.

As a response to the finding of a difference of \$176.00 in the General Fund pertaining to revenue derived from the sale of hunting and fishing licenses, the Bookkeeper reiterates the same procedure which is listed above for the sale of dog licenses. Daily transaction reports which are generated by the Pennsylvania Automated License System (PALS) were compared with the amount collected within NWS. Additionally, these reports contained no discrepancies each week during the ACH report.

As a response to the finding of a difference of \$2,050.00 in the General Fund pertaining to revenue derived from Small Games of Chance, Bingo, and Special Raffles, the Bookkeeper accepted responsibility for these sales during September of 2014 and believes that all revenue received within the Licensing Office, starting in mid-September, was accurately recorded within NWS.