



**pennsylvania**  
EMERGENCY MANAGEMENT AGENCY

BUREAU OF 9-1-1

October 30, 2009

Mr. Edward Casaldi  
Luzerne County 9-1-1  
100 Young Street  
Wilkes-Barre, Pennsylvania 18711-1001

Dear Mr. Casaldi:

Thank you for your recent submission of Luzerne County's triennial audit for the period January 1, 2006 through December 31, 2008. As a reminder, your next audit period covering January 1, 2009 through December 31, 2011 will be required to be submitted to PEMA not later than September 28, 2012.

JonesKohanski & Company's audit opinion indicates the provided special purpose financial statement fairly presented, in all material aspects, Luzerne County's compliance with the Public Safety Emergency Telephone Act of 1990 as amended. However, JonesKohanski further went on to identify significant deficiencies that in the aggregate constitute a material weakness; findings in the areas of restricted 9-1-1 fund management and accounting fund management that existing internal controls would not have identified.

Further to PEMA's internal review of the JonesKohanski & Company audit report, I noted the following in regards to the management responses to the deficiencies that warranted the material weakness findings detailed on page 11-14 of the audit report:

1. Finding 1: Management response indicates corrective measures were taken in 2008 with new management. Absent in the response was actions management is taking to ensure wireless and wireline 9-1-1 funds from the first two years of the triennial period have been properly reallocated.
2. Finding 2: A 2007 media reference to a 2005 audit conducted by JonesKohanski purportedly identified over \$2 million in 9-1-1 funds improperly spent on county personnel costs. This reported audit appears to conflict with the 9-1-1 triennial audit conducted by Snyder & Clemente for the period January 1, 2003-December 31, 2005. Does the reimbursement of the 9-1-1 fund referenced in the Effect section of Finding 2 correspond to the aforementioned accounting issue identified in the media referenced audit?

Mr. Edward Casaldi

October 30, 2009

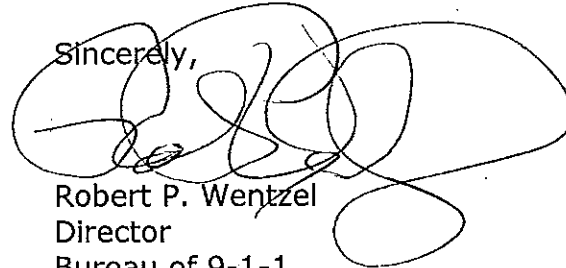
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3. Finding 3: Consistent with my above Finding 1 observation, management response does not comment on the steps taken to reimburse the respective 9-1-1 funds.
4. Finding 4: Management response again addresses actions going forward; however, no reference to corrective actions on auditor test that warranted the finding.

The Luzerne County triennial audit for the period January 1, 2006 through December 31, 2008 audit will be filed with the Pennsylvania Public Utility Commission. I will anticipate Luzerne County's response to this correspondence within 30-days of receipt, but not later than December 11, 2009.

Should you have any questions or concerns, please contact Ms. Michelle Musser, Bureau of 911, at 717-651-2124 or via email at [mmusser@state.pa.us](mailto:mmusser@state.pa.us).

Sincerely,

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and curves, positioned above the printed name and title.

Robert P. Wentzel  
Director  
Bureau of 9-1-1

Mr. Edward Casaldi

October 30, 2009

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RPW/mrm

bcc: Mr. Anthony Camillocci, Director, Eastern Area Office  
File Bureau of 9-1-1

Mr. Edward Casaldi  
October 30, 2009  
Page 3

RPW/mrm

bcc: Mr. Anthony Camillocci, Director, Eastern Area Office  
File Bureau of 9-1-1

**COUNTY OF LUZERNE, PENNSYLVANIA**

**PUBLIC SAFETY EMERGENCY  
TELEPHONE ACT - 911 FUND**

**FINANCIAL STATEMENTS  
YEARS ENDED  
DECEMBER 31, 2006, 2007 AND 2008**

COUNTY OF LUZERNE, PENNSYLVANIA

**PUBLIC SAFETY EMERGENCY  
TELEPHONE ACT - 911 FUND**

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INDEPENDENT AUDITORS' REPORT

To the County Commissioners  
of Luzerne, Pennsylvania

We have audited the accompanying Public Safety Emergency special purpose financial statements ("statements") of the 9-1-1 Fund of the County of Luzerne, Pennsylvania for the years ended December 31, 2008, 2007, and 2006. These special purpose statements are the responsibility of Luzerne County officials. Our responsibility is to express an opinion of these statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe our audits provide a reasonable basis for our opinions.

As described more fully in Note 1, Luzerne County 911 Fund prepares its statements using accounting practices prescribed by 4 Pennsylvania Code, Chapter 120b and Act 78 of 1990 as amended by Act 17 of 1998 and Act 56 of 2003, Section 11.5(e), which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, the accompanying statements referred to above present fairly, in all material respects, the revenues and expenditures of the Public Safety Emergency Telephone Act Program of the County of Luzerne, Pennsylvania for the years ended December 31, 2008, 2007 and 2006, in accordance with the basis of accounting described in Note 1.

COUNTY OF LUZERNE, PENNSYLVANIA

**PUBLIC SAFETY EMERGENCY TELEPHONE ACT  
9-1-1 FUND WIRELINE AND WIRELESS  
SPECIAL PURPOSE STATEMENT  
YEAR ENDED DECEMBER 31, 2006**

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FUND BALANCE - BEGINNING		<u>\$ 1,723,703</u>
REVENUES:		
911- wireless	\$ 1,279,967	
Assessments - Bell	1,587,232	
Assessments - Commonwealth	643,411	
Assessments - C- Tec	412,584	
Assessments - others	235,043	
Interest	<u>4,751</u>	
Total Revenues		4,162,987
ELIGIBLE EXPENDITURES:		
Salaries	1,347,769	
Benefits	480,063	
Payroll taxes	142,220	
Capital expenditures	484,066	
Telephone	269,192	
Staff development and training	86,620	
Other contractual services	73,904	
Site rental	29,835	
Professional services	29,685	
Administrative costs	29,403	
Electricity - tower	13,060	
Office supplies	8,798	
Public information program	6,999	
Repairs and maintenance	6,361	
Fuel - tower site	2,866	
Small tools	2,280	
Travel expense	2,018	
Staff alerting expense	1,620	
Interpreter services	1,367	
Other allowable expenditures	<u>19,725</u>	
Total Eligible Expenditures		3,037,852
Transfers-out		<u>(965,091)</u>
INCREASE IN FUND BALANCE		<u>160,044</u>
FUND BALANCE - ENDING		<u>\$ 1,883,747</u>

The accompanying notes are an integral part of this special purpose statement.



COUNTY OF LUZERNE, PENNSYLVANIA

**PUBLIC SAFETY EMERGENCY TELEPHONE ACT  
9-1-1 FUND WIRELINE AND WIRELESS  
SPECIAL PURPOSE STATEMENT  
YEAR ENDED DECEMBER 31, 2007**

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FUND BALANCE - BEGINNING		<u>\$ 1,883,747</u>
911- wireless	\$ 568,845	
Assessments - Bell	1,536,695	
Assessments - Commonwealth	637,937	
Assessments - C- Tec	356,945	
Assessments - others	260,665	
Other Income	24,494	
Interest	<u>4,013</u>	
Total Revenues		3,389,594
ELIGIBLE EXPENDITURES:		
Salaries	1,508,099	
Benefits	518,845	
Telephone	263,138	
Professional services	137,882	
Insurance	28,504	
Administrative costs	28,357	
Site rental	27,112	
Electricity - tower	25,444	
Staff development and training	24,574	
Other contractual services	5,188	
Fuel - tower site	3,411	
Office supplies	2,511	
Repairs and maintenance	2,347	
Small tools	1,856	
Public information program	1,630	
Interpreter services	1,196	
Other allowable expenditures	<u>16,814</u>	
Total Eligible Expenditures		2,596,908
Transfers-out		<u>(349,845)</u>
INCREASE IN FUND BALANCE		442,841
FUND BALANCE - ENDING		<u>\$ 2,326,587</u>

The accompanying notes are an integral part of this special purpose statement.

COUNTY OF LUZERNE, PENNSYLVANIA

**PUBLIC SAFETY EMERGENCY TELEPHONE ACT  
9-1-1 WIRELINE FUND  
SPECIAL PURPOSE STATEMENT  
YEAR ENDED DECEMBER 31, 2008**

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FUND BALANCE - BEGINNING		<u>\$ 2,462,859</u>
REVENUES:		
Assessments - Bell	\$ 1,460,498	
Assessments - Commonwealth	630,462	
Assessments - C-Tec	337,051	
Assessments - others	198,969	
Other Income	24,848	
Interest	<u>6,757</u>	
Total Revenues		<u>2,658,585</u>
ELIGIBLE EXPENDITURES:		
Salaries	1,235,600	
Benefits	500,296	
Payroll Taxes	105,541	
Telephone	413,178	
Professional services	134,299	
Administrative costs	27,092	
Insurance	26,139	
Site rental	22,402	
Electricity - tower	18,086	
Staff development and training	17,801	
Other contractual services	8,604	
Repairs and maintenance	4,399	
Staff alerting expense	3,747	
Office supplies	3,686	
Public information program	2,158	
Interpreter services	1,314	
Addressing/mapping	1,170	
Inspection fees	1,030	
Other allowable expenditures	<u>11,990</u>	
Total Eligible Expenditures		<u>2,538,530</u>
OTHER FINANCING USES:		
Operating transfers-out to wireless fund		(135,549)
Debt service		<u>(133,936)</u>
Total Other Financing Uses		<u>(269,485)</u>
DECREASE IN FUND BALANCE		<u>(149,430)</u>
FUND BALANCE - ENDING		<u>\$ 2,313,429</u>

The accompanying notes are an integral part of this special purpose statement.

COUNTY OF LUZERNE, PENNSYLVANIA

**PUBLIC SAFETY EMERGENCY TELEPHONE ACT  
9-1-1 WIRELESS FUND  
SPECIAL PURPOSE STATEMENT  
YEAR ENDED DECEMBER 31, 2008**

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FUND BALANCE - BEGINNING		\$ (136,272)
REVENUES:		
Assessments - others	\$ 1,030,770	
Interest	<u>12,081</u>	
Total Revenues		1,042,851
ELIGIBLE EXPENDITURES:		
Salaries	607,736	
Benefits	72,655	
Payroll taxes	45,440	
Machinery and equipment	218,080	
Professional services	92,893	
Telephone	<u>3,024</u>	
Total Eligible Expenditures		1,039,827
Operating transfers-in from wireline fund		<u>135,549</u>
INCREASE IN FUND BALANCE		<u>138,573</u>
FUND BALANCE - ENDING		<u>\$ 2,302</u>

The accompanying notes are an integral part of this special purpose statement.

COUNTY OF LUZERNE, PENNSYLVANIA

**PUBLIC SAFETY EMERGENCY TELEPHONE ACT  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2006, 2007 AND 2008**

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**NOTE 1: NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES**

Program Description

The County of Luzerne, Pennsylvania (the "County") provides emergency 911 telephone service to its residents. In accordance with the Public Safety Emergency Telephone Act, the County collects a contribution rate, approved by the Pennsylvania Public Utility Commission, of \$1.25 per telephone access line through various telephone companies for payment of recurring and non-recurring costs associated with implementing, expanding, upgrading and operating the County's emergency 911 communications system.

Basis of Presentation

The special purpose statements (the "statements") of the County's Public Safety Emergency Telephone Act program were prepared to comply with Chapter 120b of the PA Code 4 and Section 11.5(e) of Act 78 of 1990, PL-340, as amended, and Pennsylvania Emergency Management Agency Guidelines and Example Report Formats for Audits of 911 Funds which is a comprehensive basis of accounting other than generally accepted accounting principles.

These statements were prepared on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they are both measurable and available. Expenditures are recognized when a liability is incurred; however, certain expenditures such as debt service, compensated absences and claims and judgments are recognized only when payment is due.

This presentation differs from a presentation in accordance with accounting principles generally accepted in the United States of America for governments as it excludes required disclosures such as a presentation of assets, liabilities and other financial statement elements and excludes required footnote disclosures such as deposits, capital assets, capital and operating leases, debt and other disclosures.

COUNTY OF LUZERNE, PENNSYLVANIA

**PUBLIC SAFETY EMERGENCY TELEPHONE ACT  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2006, 2007 AND 2008**

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**NOTE 2: LIMITATION ON RECOVERY OF CERTAIN RECURRING COSTS**

Section 120b.106 of PA Code 120b provides for the 911 contribution rate to be used for specified recurring and non-recurring costs associated with implementing, expanding, upgrading and operating 911 emergency communications systems. The Code limits recovery of certain recurring costs as follows:

Section 120b.106(2)(ii) - Telephone company administrative costs for billing and collection of the wireline contribution rate are limited to a maximum of 2% of the contribution rate monies collected.

During 2006, such costs totaled \$50,258 or 1.75% of the contribution rate.  
During 2007, such costs totaled \$50,051 or 1.79% of the contribution rate.  
During 2008, such costs totaled \$45,750.14 or 1.74% of the contribution rate.

Section 120b.106(2)(iii) - County costs for the administration of the contribution rate are limited to a maximum of 1% of the gross receipts collected (surcharge funds collected by the County).

During 2006, such costs totaled \$28,783 or 1% of the contribution rate.  
During 2007, such costs totaled \$27,922 or 1% of the contribution rate.  
During 2008, such costs totaled \$26,270 or 1% of the contribution rate.

Section 120b.106(2)(vii) - Personnel salary, training and benefits costs directly related to the provision of 911 services are subject to a maximum of 70% of the contribution rate revenue (surcharge funds collected by the County). The sum of the funds applied to the personnel salary, training and benefits cannot exceed 100% of the total cost of personnel salary, training and benefits.

During 2006, such costs totaled \$1,970,053 or 68% of the wireline contribution rate.  
During 2007, such costs totaled \$2,026,944 or 69% of the wireline and 18% of the contribution rate.  
During 2008, such costs totaled \$1,841,437 or 70% of the wireline contribution rate.  
During 2008, such costs totaled \$725,830 or 70% of the wireless contribution rate.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners  
Luzerne County, Pennsylvania

We have audited the accompanying special purpose statements of the Public Safety Emergency Telephone Act Program of the County of Luzerne, Pennsylvania (the "County") for the years ended December 31, 2006, 2007 and 2008, and have issued our report thereon dated October 8, 2009. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

An control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with 4 Pennsylvania Code, Chapter 120b Public Safety Emergency Telephone Act and Act 78 of 1990 as amended by Act 17 of 1998 and Act 56 of 2003, Section 11.5(e) such that

there is more than a remote likelihood that a misstatement of the County's special purpose statements that is more than inconsequential will not be detected by the County's internal control. We consider the following deficiencies in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

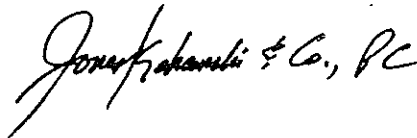
A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we consider the significant deficiencies described in the schedule of findings and questions costs to be a material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the statements of the Public Safety Emergency Telephone Act are free of material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs.

This report is intended solely for the information and use of the County Commissioners, management, others within the County government, the Pennsylvania Emergency Management Agency, and the Pennsylvania Public Utility Commission and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Jones & Co., PC". The signature is written in a cursive, flowing style.

Sugarloaf, PA  
October 8, 2009

COUNTY OF LUZERNE PENNSYLVANIA

PUBLIC SAFETY EMERGENCY TELEPHONE ACT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEARS ENDED DECEMBER 31, 2006, 2007 AND 2008

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**SECTION I - SPECIAL PURPOSE STATEMENT FINDINGS**

**FINDING 1):**

Condition/Cause: The County was not in compliance with section 7c to maintain separate funds for wireline and wireless funds.

Criteria: Section 7c of Act 78 of 1990 as amended by Act 17 of 1998 and Act 56 of 2003 states that wireless deposits and expenditures need to be maintained in separate funds.

Effect: The County was not in compliance with section 7c. In addition, it made it difficult for the County to monitor allowable costs in accordance with Section 7c. (See finding 2.)

Recommendation: The County should maintain separate funds for Wireless and Wireline deposits and expenditures.

Grantee Response: During 2008 there was a change in management of the 911 System. The new management took the appropriate steps to segregate the wireless and wireline deposits into separate funds, and will continue to monitor the receipts and expenditures to ensure the funds are not commingled in the future.



**PUBLIC SAFETY EMERGENCY TELEPHONE ACT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEARS ENDED DECEMBER 31, 2006, 2007 AND 2008**

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**SECTION I - SPECIAL PURPOSE STATEMENT FINDINGS**

**FINDING 2):**

Condition/Cause: The County was not in compliance with allocation of contribution revenues for salaries, benefits and training for the year ending December 31, 2007.

Criteria: Section 120b, 106(2)(vii) of the Pennsylvania Public Safety Emergency Telephone Act limits revenue used for personnel salary, training and benefit costs to 70% of the yearly wireline contribution rate revenue. Since the wireless system was still under construction the amounts allowed for salaries, training and benefits related to wireless employees was limited to the lower of 50% of the wireless contribution rate revenue or total salaries.

Effect: The County was not in compliance with Section 120, 106(2)(vii) of the Pennsylvania Public Safety Emergency Telephone Act. The County transferred money from the General Fund to the 911 Fund to cover the unallowable costs after the finding was discovered.

Recommendation: Management should be educated how to monitor all costs of the 911 system, to determine which costs are eligible to be paid in accordance with the Pennsylvania Public Safety Emergency Telephone Act.

Grantee Response: During 2008 there was a change of management of the 911 system. Management has been educated on how to monitor all costs of the 911 system and are confident that these errors will not occur in the future.

**PUBLIC SAFETY EMERGENCY TELEPHONE ACT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
YEARS ENDED DECEMBER 31, 2006, 2007 AND 2008**

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**SECTION I - SPECIAL PURPOSE STATEMENT FINDINGS**

**FINDING 3):**

Condition/Cause: Wireless and Wirelines revenues were erroneously deposited into the General Fund of Luzerne County.

Criteria: The party responsible for the collection and disbursement of funds shall deposit the monies received in an interest bearing restricted account used solely to fund allowable non-recurring and recurring charges related to the 911 system.

Effect: The County was not in compliance with wireless legislation of Act 78 of 1990 as amended by Act 17 of 1998 and Act 56 of 2003.

Recommendation: The County should maintain two separate bank accounts related to the 911 systems wireless and wireline. All deposits and disbursements should be made to and from the appropriate account.

Grantee Response: During 2008 there was a change in management of the 911 System. Management took the necessary steps to open the required accounts for the wireline and wireless funds. Management will continue to monitor that receipts and disbursements are posted to the proper accounts.

**PUBLIC SAFETY EMERGENCY TELEPHONE ACT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
YEARS ENDED DECEMBER 31, 2006, 2007 AND 2008**

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**SECTION I - SPECIAL PURPOSE STATEMENT FINDINGS**

**FINDING 4):**

Condition/Cause: During our testing we noted that a few cash disbursements were not supported by proper approval on checks and/or invoices containing supporting documentation as required by the control procedures and policies established by the County.

Criteria: To maintain proper control over cash disbursements, all disbursements should be supported by proper approval on checks, invoices or other sufficient supporting documents.

Effect: The lack of proper approval and documentation of disbursements could result in erroneously paying a non-allowable cost, posting to the incorrect general ledger account, and increases the risk of fraud.

Recommendation: Management should enforce the formal policies and procedures that have been implemented to ensure that cash disbursements are properly authorized.

Grantee Response: This finding is currently being addressed by the Accounts Payable staff within the Controller's Office. All payment authorizations submitted for payment are examined to confirm that the appropriate form is properly filled out, signed, approved and that all appropriate supporting documentation is attached.