



**Controller  
Gary A. DiBileo**

# LACKAWANNA COUNTY OFFICE OF THE CONTROLLER

## ANNUAL AUDITING ACTIVITY REPORT 2016

Controller's Office – Lackawanna County Gateway Center

135 Jefferson Avenue, Scranton, PA 18503



**County of Lackawanna Pennsylvania**  
*Office of the Controller*

**Gary A. DiBileo, Controller**  
**Germaine Helcoski, Deputy Controller**

March 29, 2017

To: Lackawanna County Commissioners:  
Patrick M. O'Malley, Laureen A. Cummings, Jerry Notarianni  
Lackawanna County Citizens and Taxpayers

In accordance with the Lackawanna County Home Rule Charter Section 1.4-402(g), I submit the Lackawanna County Controller's Annual Audit Activity Report for 2016.

This report is intended to be an informative presentation of the work performed by the Controller's office in 2016.

It is a pleasure to provide this report to the citizens of Lackawanna County who have entrusted me to be the chief internal auditor for the County.

I would like to extend the appreciation of the Controller's Office to all those within the County government who graciously cooperated with our auditors this past year.

I wish to thank the dedicated employees of the Controller's office for their hard work in helping to provide accountability for County taxpayer dollars.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Gary A. DiBileo", is written over a large, stylized flourish.

Gary A. DiBileo  
Lackawanna County Controller

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## Background Information

The Controller oversees the county financial transactions. Various sampling methods are used to review to the extent possible that all the elected officials and their subordinates execute their financially related duties accurately and according to the law. Section 1.4-402(g) of the Home Rule Charter sets forth and provides the Controller with powers and duties in addition to those already vested by the Laws of the Commonwealth. Accordingly, Section 1.4-402(g) requires that the Controller submit an annual report by April 1 to the Board of Commissioners summarizing the audits of the accounts that have been made of the preceding fiscal year.

In accordance with the Controller's powers and duties set forth in Section 1.4-402(g) of the Lackawanna County Home Rule Charter, this report summarizes the audit activities made of Lackawanna County accounts for the year 2016.

During 2016, the Controller's Office performed numerous internal audits and reviews of various county departments and offices. Excluded from this list of audits are confidential and specially requested audits and reviews which were also done during the audit period.

On July 25, 2016, The Gateway Center, the building where the Controller's Office is located was flooded. The cause of the flood started at the roof and since the Controller's Office is located in the basement it sustained the most damage. The office staff was relocated while the office was repaired and made safe. The office staff continued to operate in the Administrative Office building and continued to perform operations as normal. The Controller's Office staff returned to the office shortly after Labor Day – September 5, 2016.

The Controller's office audited more than 27,565 invoices in accounts payable prior to processing the payment and in accordance with the Home Rule Charter and PA County Code. These invoices were audited with established procedures for accuracy, correctness, and proper authorization.

In 2016, the Controller's office filed the most recent Annual Department of Community and Economic Development (DCED) financial report for 2015 based primarily on audited and adjusted financial statements provided by the County's external audit firm-Baker Tilly. Several other DCED reports for 2015 and prior years were reviewed with the County's Chief Financial Officer (CFO) and electronically filed.

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Controller Gary DiBileo and the entire Controller's office staff are grateful for the openness of the many county offices and departments while completing all audits. Without the cooperation of many dedicated County employees, this office could not have accomplished its work as mandated by the Home Rule Charter and the PA County Code.

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## Internal Audits

An internal audit is an independent review of county operations and financial activities. During an audit the Controller's Office evaluates a department's internal control system and may suggest ways to improve the operational effectiveness and profitability of the area under review.

The Controller's Office performs audits of the county row offices as well as other areas within the county that may have a financial impact on the county.

Internal audits conducted by the Controller's Office during the year of 2016 included, but were not limited to the following:

- Lackawanna County Prison Inmate Monthly Account Receipts and Expense Review and Bank Reconciliations through 11/30/2016
- Lackawanna County Prison Canteen Monthly Account Receipts and Expense Review and Bank Reconciliations through 11/30/2016
- District Attorney Drug Enforcement Petty Cash Account through 06/30/2016
- District Attorney Controlled Substance Asset Forfeiture Account through 06/30/2016
- District Attorney Terrorism Asset Forfeiture Account through 06/30/2016
- Lackawanna County Trolley Museum Receipts and Petty Cash through 12/25/2016

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## District Court Audits

Lackawanna County is comprised of ten magisterial district court offices.

A recap of the financial audits for year end 2013 was completed and the results were reviewed for all ten magisterial district court offices.

The purpose of a magisterial district court office audit is:

- To verify the county share of costs and fines collected and remitted
- To verify monthly bank account reconciliations
- To verify the timely processing of escrow monies
- To verify the accuracy of completed files
- To review voided transaction reports for appropriateness
- To review the proper issuance of marriage licenses

Magisterial District Court Audits were updated and completed through 12/31/2013 for the following:

District Court 45-1-03- Magistrate Corbett  
District Court 45-1-02- Magistrate Farrell  
District Court 45-1-05- Magistrate Gallagher  
District Court 45-3-01- Magistrate Gibbons  
District Court 45-1-01- Magistrate Giglio  
District Court 45-3-03- Magistrate McGraw  
District Court 45-3-02- Magistrate Mercuri  
District Court 45-1-08- Magistrate Pesota  
District Court 45-1-06- Magistrate Ware  
District Court 45-3-04- Magistrate Turlip

The Controller's Office also reviewed any findings reported on the Auditor General's Magisterial Audits.

## Limited Scope Reviews

An audit of limited scope is limited in time span or confined to particular accounts or processes within a department. A desk audit is a limited scope examination of documents and records away from the place of action. The Controller's Office performed limited scope audits in particular areas. Desk audits are performed on the monthly clerical records of various departments and are spot checked and analyzed. The monthly review of reports can determine trends as to increases and decreases in financial activity. The monthly review can highlight and detect any unusual situations that may require further attention by Controller's Office or the auditee.

The limited scope reviews conducted by the Controller's office during 2016 included the following:

- Lackawanna County Audited Financial Statements for 2015
- Lackawanna County Retirement Fund Single Audit and the Corresponding General Ledger Accounts for 2015
- Wilkes-Barre/Scranton International Airport Single Tax Audit for 2015
- Lackawanna County Monthly Workers Compensation Bank Account Reconciliations through 11/30/2016
- Monthly row office and department receipts and disbursements reports through November 2016 (prepared by the Controller's office for the purpose of reviewing activity):
  - Register of Wills/Orphans Court
  - Tax Claim Office
  - Tax Claim Delinquent Escrow Review
  - Recorder of Deeds
  - Sheriff's Office
  - Clerk of Judicial Records, Civil Division
  - Clerk of Judicial Records, Criminal Division
  - Lackawanna County Home Detention Account/Work Release
- Monthly receipts of the Hotel Room Rental Tax through November 2016



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- Lackawanna County Employee's Retirement Fund monthly reconciliations through October 31, 2016.
- Petty cash fund confirmations and account review as of 12/31/2015

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## FRAUD, WASTE AND ABUSE HOTLINE

The Controller's Office maintains a Fraud, Waste and Abuse Hotline, which offers the public and county employees a confidential avenue for reporting suspected fraud, waste and abuse within the County including boroughs, townships, and municipalities.

Tips can be communicated confidentially in three ways:

- Individuals may call a secure, confidential phone number (570-963-6600).
- Individuals can send a letter to a secure, confidential address at P.O. Box 254, Scranton, PA 18501.
- Individuals can send a secure, confidential email to the hotline via a link provided on the Lackawanna County Homepage via the internet at [www.lackawannacounty.org](http://www.lackawannacounty.org).

The Controller's Office received and processed 20 Fraud, Waste, and Abuse tips for 2016. This was a 35% increase in tips from 2015. All tips were given to the Lackawanna County District Attorney's office, in accordance with the hotline's by-laws. Also in accordance with the by-laws and as needed, some tips were forwarded to the Human Resources department to be resolved.

The Controller's Office welcomes the public to use this confidential means for reporting Fraud, Waste, and Abuse of all suspected instances within Lackawanna County.

Pennsylvania State Hotlines:

- Programs, Operations, Contracts (877)888-7972
- Elder Abuse Unit (866)623-2137
- Suspected Welfare Fraud (800)932-0582
- Consumer Protection (800)441-2555

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## Other Activities

### Invoice Processing

As stated earlier in this report, the Controller's Office processed in excess of 27,565 invoices for 2016. This total represents a 6% increase in invoices processed from 2015. Prior to the approval of any invoice, the Controller's Office staff examines contracts, purchase orders, signed resolutions and any other appropriate documents prior to payment which would result in financial obligations against the county government.

### Government Center Analysis

Lackawanna County planned to purchase a building in an effort to consolidate eight county office locations which are currently housed in non-county owned buildings. The purchase price for the building was proposed at \$1.3 million, with anticipated renovations and borrowing costs of \$17 million. The Controller's office performed an analysis of the purchase, savings, and expenses in order to ascertain and confirm that the county had sufficient funds available to cover the obligation. The final analysis was deemed feasible to move forward on the consolidation plan within the financial parameters. The County purchased the former department store - "The Globe" - and it has now been renamed "Lackawanna County Government Center at The Globe". The anticipated occupancy date for the consolidation of offices is January 2019.

### Prison Board Study

At the request of the Prison Board, a comprehensive study/evaluation of the prison was performed. The study consisted of three committees which included Finance committee, Operations committee, and Prisoner/Correction Officer Program committee. Controller DiBileo was appointed chairman of the Finance committee. The areas of study for the Finance committee included

- Sources of income to the prison
- Analysis of State program expenses vs. State program income
- Food service contract

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- Phone service contract
- Medical service contract
- Staffing, scheduling, and overtime

At the conclusion of the study, a comprehensive report with findings, observations, and recommendations from each committee was presented to the Prison Board, prison staff, and County executive staff for review, evaluation, and implementation.

## Court Reporters

The Controller's Office participated on the working committee regarding the new rules governing court reporters which became effective January 1, 2017. The Court Administrator invited the Controller's Office to a roundtable meeting to discuss the financial impact and work flow process that were affected by the rule change. The Controller's Office's input concerning the handling of payroll, receipts, and receivables was helpful in the County's adoption of the rules of Civil Procedure. Each Judicial District/County was responsible to set forth local rules and procedures to be in accordance with the new state wide rules. The committee worked on rules and procedures for the request of transcripts, transcript costs payable by a requesting party other than the Commonwealth or Subdivision thereof, and transcript costs payable by the Commonwealth or Subdivision thereof and these rules and procedures were finalized by the December 31, 2016 deadline.

## Hotel Tax

Subsequent to our review of Hotel Room Rental Tax receipts, the Controller's Office found delinquencies for many hoteliers for periods back to 2012. Letters of Confirmation were sent by our office to these accounts to confirm their outstanding indebtedness. As a result, substantial payments were received to satisfy their past due balances.

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## Air BNB

From the Controller's Office audit of Hotel Room Rental Tax, our office found that monthly Hotel Room Rental tax receipts did not include alternate-rental-offering income from room sharing. AirBNB is the major online company offering individuals the opportunity to advertise their home/apartment and receiving proceeds from bookings. Of approximately 80 Lackawanna County rental units found advertising on the site, the County was receiving a monthly report and remittance for only one. The Controller's Office initiated correspondence with AirBNB corporate office, and after lengthy persistence and determination by the Controller's Office, The Lackawanna County Visitor's Bureau, and legal counsel, the County subsequently entered into a Voluntary Collection Agreement with AirBNB for the collection and remittance of Hotel Room Rental tax effective January 1, 2017. Because of Lackawanna County's success with this global giant AirBnb, the Controller's office has been contacted by other counties within our Commonwealth for information in order for their counties to also collect the transient occupancy tax.

## E-Civis Grant Program

On March 23, 2016, the Board of Commissioners approved an agreement with E-Civis for an on-line centralized grant accounting service. The Controller's Office attended several meetings to discuss the implementation of this software package. Licenses were provided for web access to pre-award and post-award grants management and additional features for sub-recipient awards. The Controller's Office receives weekly emails from E-Civis on updates on grant program availability and forwards any relevant prospects to the County grant writers.

## Bid Control

The Controller's Office receives and secures publically advertised bids issued by the Purchasing office and The Office of Economic Development. The Controller's office opens bids in a public setting and monitors bid tabulation to ensure the integrity of the process.

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The Controller's Office also alternates with the Luzerne County Controller's Office on the opening of bids for the Wilkes Barre/Scranton Airport.

## Budget

During the preparation of the county's 2017 budget, the Controller's Office attended the budget hearings for each department to stay apprised of the financial obligations affecting the county finances. The Controller's Office also attended the four public hearings on the presentation of the 2017 county budget.

## Training

To maintain the professionalism of the Controller's Office and to stay apprised of changes in laws, regulations, and legislation requires continuing education for the staff regarding Controller's office activities.

Members of the Controller's Office staff attended continuing education conferences presented by the Pennsylvania State Association of County Controllers (PSACC) and received updates on current federal and state legislation and audits performed by various county controllers across the Commonwealth that effects county government. This training provides a platform for sharing accounting and auditing processes as well as networking opportunities with controllers and their staff in other counties.

## Efficiencies

The Controller's office began to move forward and continue an ongoing project to scan daily check run reports and bank statements in an effort to have a backup of records. These reports are backed up nightly during the IT department system backup process.

Also, as part of the IT department's upgrades, the Controller's office printers used for check printing and general office use were upgraded during 2016.

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## External Auditors

The Controller's Office cooperated and complied with the various external auditor's requests in reviewing and testing invoices and payments within the Controller's office.

## Boards

The Controller, Gary A. DiBileo was a member of the pension, prison, and salary boards. As a member of these boards he ensured a watchful eye over the financial activities of the county in 2016.

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Terri Rizzo – Part Time Accountant

Ronald Simonetti – Internal Auditor



# ANNUAL AUDIT ACTIVITY REPORT

## Contact Information

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<http://www.lackawannacounty.org/index.php/departmentsagencies/county-government/controllers-office>

