



**Controller
Gary A. DiBileo**

LACKAWANNA COUNTY OFFICE OF THE CONTROLLER

ANNUAL AUDITING ACTIVITY REPORT 2017

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 23, 2018

To: Lackawanna County Commissioners:
Patrick M. O'Malley, Lauren 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 2017.

This report is intended to be an informative presentation of the work performed by the Controller's office in 2017.

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 black ink, appearing to read "Gary A. DiBileo".

Gary A. DiBileo
Lackawanna County Controller

TABLE OF CONTENTS

Contents

Background Information	1
Internal Audits	3
Magisterial District Court Audits	4
Limited Scope Reviews	5
Fraud, Waste and Abuse Hotline	7
Other Activities	8
Controller's Office Staff	13
Contact Information	14

ANNUAL AUDIT ACTIVITY REPORT

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 2017.

During 2017, 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.

In 2017, the Controller's office experienced some turnover when the audit supervisor resigned. This left the office down an experienced auditor for approximately six months from the time leading up to her resignation through hiring a replacement and training the new auditor. During the transition period only required daily audit activities were being completed and thus the audit schedule suffered in the fact that routine audits were not being completed as planned.

The Controller's office audited more than 27,262 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 2017, the Controller's office filed the most recent Annual Department of Community and Economic Development (DCED) financial report for 2016 based primarily on audited and adjusted financial statements provided by the County's external audit firm-Baker Tilly.

ANNUAL AUDIT ACTIVITY REPORT

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.

ANNUAL AUDIT ACTIVITY REPORT

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 2017 included, but were not limited to the following:

- Clerk of Judicial Records Audit Criminal Division through 12/31/15
- Records Improvement Audit through 12/31/16
- Lackawanna County Petty Cash Funds as of 12/01/17
- District Attorney's Asset Forfeiture Audit through 6/30/17
- Lackawanna County Prison Inmate Monthly Account Receipts and Expense Review and Bank Reconciliations through 11/30/2017
- Lackawanna County Prison Canteen Monthly Account Receipts and Expense Review and Bank Reconciliations through 11/30/2017
- District Attorney Drug Enforcement Petty Cash Account through 06/30/2017
- District Attorney Controlled Substance Asset Forfeiture Account through 06/30/2017
- District Attorney Terrorism Asset Forfeiture Account through 06/30/2017
- Lackawanna County Trolley Museum Receipts and Petty Cash through 12/22/2017

ANNUAL AUDIT ACTIVITY REPORT

Magisterial District Court Audits

Lackawanna County is comprised of ten magisterial district court offices.

A recap of the financial audits for year end 2014 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 12/31/2014 for the following:

District Court 45-1-01- Magistrate Giglio

District Court 45-1-02- Magistrate Farrell

District Court 45-1-03- Magistrate Corbett

District Court 45-1-05- Magistrate Gallagher

District Court 45-1-06- Magistrate Ware

District Court 45-1-08- Magistrate Pesota

District Court 45-3-01- Magistrate Keeler

District Court 45-3-02- Magistrate Mercuri

District Court 45-3-03- Magistrate McGraw

District Court 45-3-04- Magistrate Turlip

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

ANNUAL AUDIT ACTIVITY REPORT

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 2017 included the following:

- Lackawanna County Audited Financial Statements for 2016
- Lackawanna County Retirement Fund Single Audit and the Corresponding General Ledger Accounts for 2016
- Wilkes-Barre/Scranton International Airport Single Tax Audit for 2016
- Lackawanna County Monthly Workers Compensation Bank Account Reconciliations through 10/31/2017
- Monthly row office and department receipts and disbursements reports through November 2017 (prepared by the Controller's office for the purpose of reviewing activity):
 - Register of Wills/Orphans Court
 - 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 and filed reports of the Hotel Room Rental Tax for all hotels through November 2017
- Lackawanna County Employee's Retirement Fund monthly reconciliations through November 30, 2017

ANNUAL AUDIT ACTIVITY REPORT

- Review of County owned cell phones through September 2017
- Petty cash fund confirmations and account review as of 12/1/2016

ANNUAL AUDIT ACTIVITY REPORT

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.

The Controller's Office received and processed 22 Fraud, Waste, and Abuse tips for 2017. This was a 10% increase in tips from 2016. 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

ANNUAL AUDIT ACTIVITY REPORT

Other Activities

Invoice Processing

As stated earlier in this report, the Controller's Office processed in excess of 27,262 invoices for 2017 which amounts to over \$214,000,000 in vendor payments through the calendar year. 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

Lackawanna County purchased the former department store – "The Globe" in 2016 in an effort to consolidate county office locations under one roof. The building has been renamed "Lackawanna County Government Center at The Globe". The county purchased the building for \$1.3 million with anticipated renovations and borrowing costs of \$17million. The Controller's Office has been keeping a watchful eye on the expenses for the Government Center since the date of purchase of the building. Bids for the construction phase of the project were accepted and opened in public by the Controller's Office. The Controller's Office will continue to monitor this project. The anticipated occupancy of the government center is January 2019.

Prison

The Controller's Office reviewed and audited the monthly bank reconciliations for the canteen and inmate accounts prepared by the prison business office through November 2017.

Hotel Tax

The Controller's office audits forty two (42) hotels, three personal rentals and an undeterminable amount of hosts through the alternative AirBNB lodgings within its boundaries. Subsequent to our review of Hotel Room Rental Tax receipts, the Controller's

ANNUAL AUDIT ACTIVITY REPORT

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.

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 alternative-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.

Home Away

Similar to AirBNB, the Home Away online alternative lodging company has begun collecting hotel room rental taxes. It appears that collection agreements similar to AirBNB are available. The County solicitor requested that he had an opportunity to review their contract prior to us making contact with them. The Controller's office has provided the solicitor with the Home Away contract for his review.

ANNUAL AUDIT ACTIVITY REPORT

E-Civis Grant Program

Upon review of weekly E-Civis grant correspondence, the Controller's office has contacted and provided several county departments with applicable offerings.

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. 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 2018 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 2018 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.

ANNUAL AUDIT ACTIVITY REPORT

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.

As part of the record retention process, the Controller's Office disposed of appropriate office files in accordance with the County Record Manual issued by PA Historical and Museum Commission. The county held a shredding day for all county offices to dispose of appropriate records which fell within the County Record Manual guidelines.

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 prison and salary boards. As a member of these boards, he ensured a watchful eye over the financial activities of the county in 2017.

ANNUAL AUDIT ACTIVITY REPORT



Gary A. DiBileo
Controller

Tel 570-963-6726

Fax 570-963-6489

dibileog@lackawannacounty.org

Controller's Office Staff:

Germaine Helcoski

Deputy Controller

Tel 570-963-6302

Fax 570-963-6489

helcoskig@lackawannacounty.org

Reginald H. Mariani

Chief Internal Auditor

Tel 570-963-6726

Fax 570-963-6489

marianir@lackawannacounty.org

Cindy Borgna – Pre & Post Audit

Janice Grzyboski – Data Entry Clerk

Lindsey Holland – Audit Assistant

Elaine Kingsley – Auditor

Dana Lewis – Audit Supervisor

Terri Rizzo – Accountant

Ronald Simonetti – Internal Auditor

ANNUAL AUDIT ACTIVITY REPORT

Contact Information

Lackawanna County Controller's Office, Gateway Office

135 Jefferson Avenue, Scranton, PA 18503

Tel 570-963-6726

Fax 570-963-6489

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

