

# COUNTY OF BERKS, PENNSYLVANIA

## Office of the Controller



Services Center, 12th Floor  
633 Court Street  
Reading, PA 19601-4311

Phone: 610.478.6150  
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Mark C. Scott, Commissioner Chair  
Christian Y. Leinbach, Commissioner  
Kevin S. Barnhardt, Commissioner

**Sandra M. Graffius, Controller**  
Jack A. Linton, Esq., Solicitor

March 20, 2012

Mr. Nelson H. Long, CPA  
Treasurer  
Office of the Treasurer  
County of Berks, Pennsylvania

Re: Internal Auditor's Report

Dear Mr. Long:

We have completed our compilation of the financial statements of the Office of the Treasurer for the years ended December 31, 2008, December 31, 2009 and December 31, 2010 and have attached the report for your review and consideration.

Since there was no significant finding or instance of non-compliance noted, no response is required and the attached report is the final report.

This report is intended for the use of the Office of the Treasurer management. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

I would like to thank you for your cooperation and for the courtesies extended by your staff to mine. If you have any questions concerning the attached report, I would be glad to discuss them with you.

Yours truly,

Sandra M. Graffius

**Office of the Treasurer  
County of Berks, Pennsylvania**

**Nelson H. Long, CPA, Treasurer**

**Financial Report**

**As of December 31, 2008  
December 31, 2009  
December 31, 2010**

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## **Report Distribution List**

1. Nelson H. Long, CPA, Treasurer
2. Christian Y. Leinbach, County Commissioner Chair
3. Mark C. Scott, County Commissioner
4. Kevin S. Barnhardt, County Commissioner
5. Socrates Georgeadis, Solicitor for Treasurer
6. Berks County Convention Center Authority
7. Greater Reading Convention and Visitor's Bureau
8. Jack Wagner, Pennsylvania Auditor General
9. Riensel Kuntz Leshner, LLP, Certified Public Accountants
10. Audit File

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Jack A. Linton, Esq., Solicitor

### Internal Auditor's Report

Mr. Nelson H. Long, CPA  
Treasurer  
Office of the Treasurer  
County of Berks, Pennsylvania

We have compiled the accompanying statement of assets, liabilities and fund balance – cash basis as of December 31, 2008, December 31, 2009 and December 31, 2010 for the Office of the Treasurer, a unit of the County of Berks, Pennsylvania, and the related statement of receipts, disbursements and changes in cash balance – cash basis for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. These financial statements are the responsibility of the Office of the Treasurer management.

A compilation is limited to presenting in the form of financial statements, information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

As described in Note 1, the accounts of the Office of the Treasurer are maintained, and the accompanying financial statements are prepared, on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

We have included a report on our consideration of the Office of the Treasurer internal control structure and on its compliance with laws and regulations. We have reviewed compliance and internal control matters in accordance with the Commonwealth of Pennsylvania Third Class County Code and County of Berks ordinances and resolutions and have included applicable comments related thereto in the respective report.

Sandra M. Graffius, Controller  
February 1, 2012

**Office of the Treasurer  
County of Berks, Pennsylvania  
Statement of Assets, Liabilities and Fund Balance – Cash Basis  
For the period January 1, 2008 thru December 31, 2010**

Assets	2008	2009	2010
Cash in bank	\$ 201,803	\$ 231,029	\$ 271,742
Cash on hand	<u>10,000</u>	<u>10,000</u>	<u>5,000</u>
 Total assets	 <u>\$ 211,803</u>	 <u>\$ 241,029</u>	 <u>\$ 276,742</u>
 Liabilities and Fund Balance			
Fees due the Berks County Convention Center	\$ 90,508	\$ 73,861	\$ 79,079
Escheat property in escrow	66,201	114,865	145,804
Fees due Berks County Visitor's Bureau	22,627	18,465	19,770
Fees due the Commonwealth of PA	11,854	6,305	12,614
Interest due County of Berks	6,571	8,652	9,310
Overpayment due Ramada Inn	2,299	2,299	2,299
Fees due County of Berks	1,201	6,071	2,510
Other amounts due County of Berks	537	506	356
Refund due satellite dog License Issuer	<u>5</u>	<u>5</u>	<u>0</u>
 Total liabilities	 <u>201,803</u>	 <u>231,029</u>	 <u>271,742</u>
 Fund balance	 <u>10,000</u>	 <u>10,000</u>	 <u>5,000</u>
 Total liabilities and fund balance	 <u>\$ 211,803</u>	 <u>\$ 241,029</u>	 <u>\$ 276,742</u>

The accompanying notes are an integral part of these financial statements.

**Office of the Treasurer**  
**County of Berks, Pennsylvania**  
**Statement of Receipts, Disbursements and Changes in Cash Balance – Cash Basis**  
**For the period January 1, 2008 thru December 31, 2010**

	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Receipts</b>			
Hotel room tax	\$ 1,632,692	\$ 1,360,243	\$ 1,440,460
Dog licenses	192,800	163,788	165,220
Hunting and pistol licenses	162,216	204,083	203,135
Lifetime dog licenses	50,574	46,572	48,633
Escheats	64,381	48,664	31,440
Fishing and boat licenses	6,905	4,774	4,652
Interest income	2,018	2,142	980
Bank fee refunded	<u>10</u>	<u>0</u>	<u>98</u>
Total receipts	<u>2,111,596</u>	<u>1,830,266</u>	<u>1,894,618</u>
<b>Disbursements</b>			
Berks County Convention Center Authority	1,215,646	1,100,841	1,145,550
Commonwealth of Pennsylvania	360,536	371,588	370,548
Berks Reading Visitor's Bureau	303,912	275,210	286,388
COB commission – hunting licenses	25,889	29,334	29,090
COB commission – dog licenses	21,335	17,929	18,678
COB - escheat interest	13,028	0	0
Audit fees – delinquent hotel	0	5,000	2,000
COB commission – fishing licenses	349	332	401
Dog license – refunds	442	744	330
Escheat refunds	0	0	500
Bank fees	<u>35</u>	<u>62</u>	<u>420</u>
Total disbursements	<u>1,941,172</u>	<u>1,801,040</u>	<u>1,853,905</u>
Cash receipts in excess of disbursements	170,424	29,226	40,713
Change fund decrease	0	0	(5,000)
Cash account balance as of January 1	<u>41,379</u>	<u>211,803</u>	<u>241,029</u>
Cash account balance as of December 31	<u>\$ 211,803</u>	<u>\$ 241,029</u>	<u>\$ 276,742</u>

The accompanying notes are an integral part of these financial statements.

**Office of the Treasurer  
County of Berks, Pennsylvania  
Notes to Financial Statements  
For the period January 1, 2008 thru December 31, 2010**

**Note 1: Nature of the Office and Significant Accounting Policies**

**Nature of the Office:**

The Office of the Treasurer is the custodian of all County monies. He collects real estate taxes, fees and receipts, and disburses all funds after authorization by the Controller and the Commissioners. This office issues licenses for small games of chance and bingo. In addition, this office issues licenses for hunting, fishing, dogs, motorboats, and pistol permits only when used in conjunction with hunting and fishing; collects escheat funds from County Offices and disburses them to the Commonwealth of Pennsylvania and collects Berks County Hotel Room Rental Tax and disburses them to the Berks County Convention Center Authority and Greater Reading Convention Center and Visitor's Bureau. **Note:** The real estate taxes and small games of chance and bingo are not included in the scope of this Audit.

**Basis of Accounting:**

The books and records of the Office of the Treasurer are maintained on the cash basis of accounting and, therefore, the financial statements presented herein do not purport to present the account balances and results of operations in conformity with generally accepted accounting principles. The cash basis of accounting is an other comprehensive basis of accounting.

**Cash and cash equivalents:**

The Office of the Treasurer considers cash and equivalents to be cash on hand, on deposit and investments with a maturity of three months or less when purchased.

**Cash accounts:**

The financial statements compiled for the Office of the Treasurer reflect primarily trust and agency account activity. These accounts are maintained and reconciled by the Office of the Treasurer. Administrative costs and expenses incurred by the Office of the Treasurer are reflected on the books and records of the County of Berks and not on these financial statements.

**Note 2: Cash and Equivalents**

The following cash accounts are in the name of the County of Berks, Office of the Treasurer, and are reflected in the County of Berks financial statements:

Bank	2008 Account Type	Bank Balance	Carrying Value
National Penn	Checking-escheat	\$ 67,323	\$ 67,323
National Penn	Checking-dog	8,361	8,361
National Penn	Checking - hotel	119,488	119,488

**Office of the Treasurer  
County of Berks, Pennsylvania  
Notes to Financial Statements - Continued  
For the period January 1, 2008 thru December 31, 2010**

**Note 2: Cash and Equivalents, continued**

National Penn	Checking-lifetime dog	5,637	5,637
National Penn	Checking-hunting	800	800
National Penn	Checking-fishing	194	194
Cash	cash on hand	10,000	10,000
		<u>\$ 211,803</u>	<u>\$ 211,803</u>

<u>Bank</u>	<b>2009</b> <u>Account Type</u>	<u>Bank Balance</u>	<u>Carrying Value</u>
National Penn	Checking-escheat	\$ 117,603	\$ 117,603
National Penn	Checking-dog	10,034	10,034
National Penn	Checking-hotel	99,037	99,037
National Penn	Checking-lifetime dog	2,989	2,938
National Penn	Checking-hunting	1,274	1,274
National Penn	Checking-fishing	143	143
Cash	cash on hand	10,000	10,000
		<u>\$ 241,080</u>	<u>\$ 241,029</u>

<u>Bank</u>	<b>2010</b> <u>Account Type</u>	<u>Bank Balance</u>	<u>Carrying Value</u>
National Penn	Checking-escheat	\$ 149,172	\$ 149,172
National Penn	Checking-dog	10,072	10,072
National Penn	Checking-hotel	105,808	105,808
National Penn	Checking-lifetime dog	4,434	4,383
National Penn	Checking-hunting	2,005	2,005
National Penn	Checking-fishing	205	302
Cash	cash on hand	5,000	5,000
		<u>\$ 276,696</u>	<u>\$ 276,742</u>

These accounts hold funds received by the Office of the Treasurer in a trust and agency capacity and use of these funds by the Office of the Treasurer is restricted.

Amounts on deposit in excess of FDIC limits are collateralized by the financial institution with securities held by that entity.

**Office of the Treasurer  
County of Berks, Pennsylvania  
Notes to Financial Statements - Continued  
For the period January 1, 2008 thru December 31, 2010**

**Note 3: Fees due PA and County of Berks**

<b>2008</b>		
Account	PA	County of Berks
Hunting	\$ 124	\$ 70
Fishing	41	11
Dog	6,477	952
Lifetime dog	<u>5,212</u>	<u>168</u>
	<u>\$ 11,854</u>	<u>\$ 1,201</u>

<b>2009</b>		
Account	PA	County of Berks
Hunting	\$ 53	\$ 649
Fishing	0	3
Dog	3,689	5,334
Lifetime dog	<u>2,563</u>	<u>85</u>
	<u>\$ 6,305</u>	<u>\$ 6,071</u>

<b>2010</b>		
Account	PA	County of Berks
Hunting	\$ 289	\$ 1,240
Fishing	220	26
Dog	8,164	1,098
Lifetime dog	<u>3,941</u>	<u>146</u>
	<u>\$ 12,614</u>	<u>\$ 2,510</u>

**Note 4: Other amounts due County of Berks**

The amount due County of Berks is the net effect of an accumulation of excess funds (not including interest earned) and shortages from prior periods. In addition, it also includes amounts held back to maintain a \$100 minimum balance in five of the deposit accounts.

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### Internal Auditor's Report on Compliance and Internal Controls

Mr. Nelson H. Long, CPA  
Treasurer  
Office of the Treasurer  
County of Berks, Pennsylvania

In completing our internal audit of the Office of the Treasurer for the years ended December 31, 2008, December 31, 2009 and December 31, 2010, we performed tests for compliance with certain financial provisions of laws, regulations, contracts, grants, and applicable policies. Noncompliance is considered a significant finding when it could have a direct and material effect on related financial information. The results of our tests disclosed no instances of noncompliance.

We also performed tests of the Office of the Treasurer's internal control over financial information and noted no significant findings in internal controls. Significant findings involve matters coming to our attention relating to deficiencies in the design or operation of the internal control over financial information that, in our judgment, could adversely affect the Office of the Treasurer's ability to adequately and properly record, process, summarize and report financial data.

This report is intended for the information and use of the County of Berks Board of Commissioners and the Office of the Treasurer's management. However, this report is a matter of public record and its distribution is not limited.

Sandra M. Graffius, Controller  
February 1, 2012

**Office of the Treasurer  
County of Berks, Pennsylvania  
Report on Internal Controls as of February 1, 2012  
Status of Prior Year Results**

<u>Description of Condition</u>	<u>Corrective Action Implemented</u>
No prior year audit findings	N/A

Office of the Treasurer  
County of Berks, Pennsylvania  
Discussion Items  
For the Years Ended December 31, 2008, 2009, 2010

Finding #1: Our review of segregation of duties indicates that it is insufficient. Some employees perform duties that are inconsistent with a satisfactory system of internal controls.

The Office of the Treasurer is the custodian of all County monies. He collects real estate taxes, fees and receipts, and disburses all funds after authorization by the Controller and the Commissioners. This office issues licenses for hunting, fishing, dogs, motorboats, and pistol permits only when used in conjunction with hunting and fishing. This office also issues licenses for small games of chance and bingo.

Segregation of duties is an internal control intended to prevent or decrease the occurrence of innocent errors or intentional fraud. This is done by ensuring that no single individual has control over all phases of a transaction.

Due to the limited number of staff in this office and the range of services provided, proper segregation of duties is not always possible. As noted above, this office sells various licenses, collects City of Reading real estate taxes, takes in tax claim money, collects county hotel taxes, and receives a large volume of various monies for deposit into the general fund.

With regards to trust and agency account activity, one employee collects Berks County Hotel Room Rental Tax (Hotel Tax) money, records related collections on accounting records, summarizes the records, prepares deposit slips and related checks, and has the authority to sign related checks. Compensating controls include bank account reconciliation by another employee and checks signed by the Treasurer. Another employee serves as the primary license sales person and collects money, records collections on accounting records, summarizes the records, and prepares deposit slips and related checks. Compensating controls include bank account reconciliation by another employee and checks signed mainly by the Treasurer.

Disposition: Discuss at exit and inclusion in financial statement note #1.

**Note:** The former Chief Deputy did not sign any of the Hotel tax checks in the three year audit period. With the retirement of the Chief Deputy Treasurer in September 2011, the Treasurer has reorganized some of the activities noted above. Primarily, the duties for collection and processing of the Hotel Tax have been reassigned from the Chief Deputy to the Accounting Assistant. The Accounting Assistant is not an authorized signer on any of the trust and agency accounts. With the addition of the Tax Claims Department in 2009, most non-management employees are now assigned individual cash drawers and accept all types of payments. This additional flexibility has greatly reduced the segregation of duties issues that existed in the past.

Office of the Treasurer  
 County of Berks, Pennsylvania  
 Discussion Items  
 For the Years Ended December 31, 2008, 2009, 2010

Finding #2: As of 12-31-2010, our review of undisbursed funds for the following checking accounts shows funds in excess of the amounts needed to remit collections to the state, county, or the convention center/visitor's bureau. The net amounts below are comprised of an accumulation of monthly interest earned, but not remitted to the county; fees taken by the bank, but not reimbursed; and unidentified shortages or overages.

	Interest	Overages (Shortages)	Total
Hotel Tax Account	4,572.31	(12.00)	4,560.31
Escheats	3,367.79	0.00	3,367.79
Hunting License	577.89	(124.27)	453.62
Fishing License	41.30	0.00	41.30
Dog License	967.76	(278.25)	689.51
Lifetime Dog License	236.66	(30.00)	206.66
<b>Totals</b>	<b>9,763.71</b>	<b>(444.52)</b>	<b>9,319.19</b>

**Notes:** All undisbursed balances identified in 2007 have not been resolved. The carryover balance from the 2007 Audit is **\$4,598.95**. Escheat interest prior to 2008 of \$13,027 was paid over to the County of Berks general fund in February of 2008.

We recommend the following . . . .

- resolve the above amounts by remitting funds where appropriate to the Commonwealth of Pennsylvania and/or the County of Berks
- remit any future interest and overages more frequently than past practice
- obtain reimbursement from the county on a timelier basis for bank fees not refunded by the bank and for other shortages.

Disposition: Discuss at Exit.

Finding #3: Our testing of 2008, 2009 and 2010 hotel tax receipts shows instances of overpayments and payments due, missing payments as well as incomplete documentation from the hotels. Details are listed below.

**Overpayments/Payments Due**

- The Ramada Inn paperwork was not sufficient to tell the exact amount of tax over or underpaid. We are within a reasonable difference for this period under audit. The Ramada Inn made a duplicate payment of \$2,955.33, February 2007 and was never credited in the period under audit.

Office of the Treasurer  
County of Berks, Pennsylvania  
Discussion Items  
For the Years Ended December 31, 2008, 2009, 2010

Finding #3 Continued

- The Campus Motor Inn overpaid the Hotel tax in June 2007 by \$282.47.
- The Red Carpet Suites is due a credit of \$966.85 because they over paid the Berks County Treasurer December 2010.
- The Econo Lodge Muhlenberg is due a credit of \$786.04 because they overpaid the Berks County Treasurer November 2008 and May 2009. Also from the previous year audit, The Econo Lodge Muhlenberg owes the Berks County Treasurer \$100.04 due to an error in calculation August 2007 that was never paid. The net effect of these two audits would be a credit owed to the Econo Lodge Muhlenberg of \$686.00.
- The Econo Lodge Douglassville owes the Berks County Treasurer \$178.65 due to multiple errors in calculation for 2007 that was never paid. The Econo Lodge Douglassville owes the Berk's County Treasurer's Office \$233.31 for net underpayment of 2008 Hotel Taxes, primarily in January 2008.
- The Holiday Inn Express owes the Berks County Treasurer's Office \$2,203.59 for under payments made throughout the three years of testing. They also owe the Berks County Treasurer's Office \$37.27 from the 2007 audit that was never paid.
- Klein's Motel owes the Berks County Treasurer's Office \$430.20 for under payments made throughout the three years of testing.

**Missing Payments**

Red Carpet Suites missed paying June 2008 hotel tax and Nelson is contacting them to inquire about that payment.

Quality Inn missed paying September 2008 and November 2008 taxes due.

Quality Inn missed paying for the following month's hotel tax in 2009: February, June, July, October, and December.

Quality Inn missed paying for the following month's hotel tax in 2010 January, June, July, August, September, October, November and December.

Per the Treasurer the Quality Inn has been contacted by his solicitor and no additional payments have been made. As a result, the Treasurer plans on contacting them again in the near future for payment.

Office of the Treasurer  
County of Berks, Pennsylvania  
Discussion Items  
For the Years Ended December 31, 2008, 2009, 2010

Finding #3 Continued

**Incomplete Documentation**

For 13 of 75 hotels tested over a three year period, the hotel operator did not sign the exemption portion of the tax form.

Recommendation:

When exemptions are claimed by a hotel the hotel operator is required to sign the exemptions form.

We recommend correction of the above.

The Treasurer's Office analyzes the data they receive from each hotel. This will ensure timely identification of late payments, overpayments and missing payments.

Disposition: Discuss at Exit.

Finding #4: Our testing of 2008, 2009 and 2010 escheat receipts revealed the following.

- The County of Berks Office of the Sheriff remitted \$27,080.93 to the County of Berks Office of the Treasurer on 04-14-2008. The details supporting the check were inaccurate and the check was returned and voided in June 2009. However, the details of the voided check were not deleted from the escheat system.
- The Magisterial District Court 23-1-02 remitted \$2,160.05 to County of Berks Office of the Treasurer in on 7-16-10. On the escheat system report dated 04-28-2010, we accounted for \$2,172.89, a difference of \$12.84 more than deposited.
- On 2-20-09 \$15,242.51 was remitted to the County of Berks Office of the Treasurer for 2008 escheated checks for the Magisterial District Courts. The total on the 'Escheat Cash-out Report', located in the Treasurer's escheat folder, was \$15,756.89, \$514.38 higher than the deposit. In addition, the total on the escheat system report obtained for this audit from IS Department, was \$15,518.12, \$275.61 higher than the deposit, but \$238.77 less than 'Escheat Cash-out Report. The \$238.77 was identified on the 'Escheat Cash-out Report' as a 12-31-07 check with no name or check number identified.

Office of the Treasurer  
County of Berks, Pennsylvania  
Discussion Items  
For the Years Ended December 31, 2008, 2009, 2010

Finding #4 Continued

- The County of Berks Office of the Treasurer has not remitted any funds to the Commonwealth of Pennsylvania since 2007. More frequent disbursement of escheated funds to the Commonwealth is needed.

The 2 Magisterial District Court findings above include several positive and negative adjustments. The details of these adjustments will be distributed to the Treasurer's Office separately so that correction can be made to the Escheat cash-out system.

Disposition: Discuss at Exit.