



COUNTY OF BERKS, PENNSYLVANIA
Office of the Controller

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

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Christian Y. Leinbach, Chair
Kevin S. Barnhardt, Commissioner
Mark C. Scott, Esq., Commissioner

Sandra M. Graffius, Controller
Tony Distasio, Esq., Solicitor

November 6, 2017

Mr. Eric Weaknecht, Sheriff
Office of the Sheriff
County of Berks, Pennsylvania

Re: Internal Auditor's Report

Dear Mr. Weaknecht:

We have completed our audit of the financial statements for the Office of the Sheriff for the year ended December 31, 2016 and have attached the report for your review and consideration.

Since there was no material weakness/significant deficiency or instance of non-compliance noted during the audit, no response is required and the attached report is the final report.

This report is intended for the use of the Office of the Sheriff's 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 during the course of our audit. If you have any questions concerning our audit or the attached report, I would be glad to discuss them with you.

Yours truly,

Sandra M. Graffius

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

Eric Weaknecht, Sheriff

Annual Financial Statement Audit

For The Period Ending December 31, 2016

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Report Distribution List

1. Eric Weaknecht, Sheriff
2. Christian Y. Leinbach, County Commissioner Chair
3. Kevin S. Barnhardt, County Commissioner
4. Mark C. Scott, County Commissioner
5. Christine Sadler, County Solicitor
6. Fred Mogel, Solicitor for Sheriff
7. Eugene A. DePasquale, Pennsylvania Auditor General
8. Reinsel, Kuntz, Leshner LLP, Certified Public Accountants
9. Audit File

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Internal Auditor's Report

Mr. Eric Weaknecht, Sheriff
Office of the Sheriff
County of Berks, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the Office of the Sheriff, which comprise the statement of assets and liabilities – cash basis as of December 31, 2016, and the related statement of receipts, disbursements and changes in cash balance – cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of the Office of the Sheriff as of December 31, 2016, and its cash receipts, disbursements and cash balance for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

The Supplemental information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, Internal Audit has also issued a separate report dated November 6, 2017 on our evaluation of the Office of the Sheriff's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, policies and/or procedures. That report is an integral part of the audit performed in accordance with Government Auditing Standards and is to be read in conjunction with this report in considering the results of the audit.

Sandra M. Graffius, Controller
November 6, 2017

**Office of the Sheriff
County of Berks, Pennsylvania
Statement of Assets and Liabilities – Cash Basis
As of December 31, 2016**

Assets

Cash - Checking Account	\$ 2,075,062
Cash - Petty Cash/Change Fund	<u>600</u>
Total Assets	<u><u>\$ 2,075,662</u></u>

Liabilities

Funds held in escrow	\$ 1,885,089
Due to the County of Berks Treasurer	135,129
Due to the Commonwealth of PA	40,569
Due to Others	13,176
Due to County of Berks Prothonotary	1,099
Due to County - Petty Cash/Change Fund	<u>600</u>
Total Liabilities	<u><u>\$ 2,075,662</u></u>

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

**Office of the Sheriff
County of Berks, Pennsylvania
Statement of Receipts, Disbursements and Changes in Cash Balance – Cash Basis
For the Year Ended December 31, 2016**

Receipts

Fees, escrow & misc. funds	\$ 16,736,398
Interest income	7,817
Total Receipts	16,744,215

Disbursements

Refunds and disbursements	12,721,406
County of Berks Treasurer	1,603,505
Sheriff sale advertising	1,232,435
County of Berks Recorder of Deeds	524,631
Commonwealth of PA	423,511
County of Berks Berks Tax Claim	283,287
County of Berks Prothonotary	11,887
Bank fees	3,183
Deputizations - other Pennsylvania counties	2,486
Total Disbursements	16,806,331

Cash disbursements in excess of receipts (62,116)

Cash account balance as of January 1 2,137,778

Cash account balance as of December 31 **\$ 2,075,662**

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

**Office of the Sheriff
County of Berks, Pennsylvania
Notes to Financial Statements
For the Year Ended December 31, 2016**

Note 1: Nature of the office and significant accounting policies

Background and Reporting Entity:

The Sheriff acts as a conduit for the Commonwealth of Pennsylvania, the County of Berks, related political subdivisions, and the citizens it serves. Consequently, the Sheriff's cash balance at any point in time represents undisbursed funds to one (or all) of these parties. For financial statement purposes, these undisbursed funds are included as a liability of the Sheriff.

The actual operating expenses of the Sheriff are paid by the County of Berks. These costs include the salaries and wages of Sheriff employees, fringe benefits, postage, telephone, office supplies, computer/LAN use, and furniture and equipment. These costs are not included in the audited Statement of Cash Receipts, Disbursements, and Cash Balance.

Basis of accounting:

The books and records of the Office of the Sheriff 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 another comprehensive basis of accounting.

Note 2: Cash and equivalents

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

<u>Bank</u>	<u>Account Type</u>	<u>Bank Balance</u>	<u>Carrying Value</u>
Metro Bank	Checking	\$ 3,002,189	\$ 2,075,062
Cash/Change Fund	Cash on hand	<u>600</u>	<u>600</u>
		<u>\$ 3,002,789</u>	<u>\$ 2,075,662</u>

The checking account holds funds received by the Office of the Sheriff in a trust and agency capacity and use of these funds, by the Office of the Sheriff, 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 Sheriff
County of Berks, Pennsylvania
Notes to Financial Statements
For the Year Ended December 31, 2016**

Note 3: Legal Matters

Our audit disclosed no pending litigation involving the Office of the Sheriff or Mr. Eric Weaknecht, Sheriff that would affect the financial statements for the year ended December 31, 2016.

SUPPLEMENTAL INFORMATION

Office of the Sheriff
County of Berks, Pennsylvania
Schedule of County of Berks
Revenues and Direct Expenditures
For the Year Ended December 31, 2016
(Unaudited)

<u>Revenues</u>	<u><u>\$ 2,003,921</u></u>
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Direct Expenditures

Salaries and Wages	\$ 5,723,364
Fringe Benefits	1,776,894
Firearms	126,280
Supplies	103,880
Vehicle Expenses	103,767
Software/Maintenance	74,410
Workers Compensation	63,757
Insurance	38,691
Telephone/Internet	33,664
Equipment	24,869
Postage	20,380
Conference/Training	15,041
Other General Expenditures	13,065
Uniforms	11,665
Contracted Services	6,113
Equipment Maintenance	5,121
Professional Fees/Association Dues	3,067
Background Checks	2,610
Travel	2,556
Rent Expense	2,184
Advertising	815
	815
Total Direct Expenditures	<u><u>\$ 8,152,193</u></u>

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**Internal Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters**

Mr. Eric Weaknecht, Sheriff
Office of the Sheriff
County of Berks, Pennsylvania

In planning and performing our audit of the financial statements of the Office of the Sheriff as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Office of the Sheriff's internal control over financial reporting (internal control) 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 Office of the Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Office of the Sheriff's internal control.

A *deficiency* in internal control 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

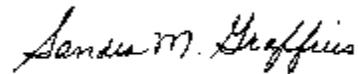
Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

As part of obtaining reasonable assurance about whether the Office of the Sheriff's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect in the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of

noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the Office of the Sheriff in a separate letter dated November 6, 2017, regarding calculation of monthly remittances to County of Berks and missing case/docket file.

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

A handwritten signature in black ink that reads "Sandra M. Graffius". The signature is written in a cursive style with a large initial 'S'.

Sandra M. Graffius, Controller
November 6, 2017

**Office of the Sheriff
County of Berks, Pennsylvania
Schedule of Prior Audit Findings and Recommendations**

Significant Deficiency and Management's Response

1. Inadequate supporting documentation of manual system changes

Condition: During our review of monthly remits to the county, we noted the office had incorrectly issued a receipt as a miscellaneous transaction for the Sheriff's fee. The error was noticed by the Sheriff's office at the time of issuing a refund check to the District Justice Court. The office contacted the County of Berks Information Systems department to correct the receipt so the check could be issued. The request for correction was done verbally by the staff of the Office of the Sheriff. As a result, there is a lack of supporting documentation for the request and approval of the change to receipt by management. There is also a greater opportunity for misappropriation of funds and changes in the AS400 system could go undetected.

Recommendation: We recommend that Office of the Sheriff implement a policy and procedure to document the request and approval from management in the AS400 system made by the Information System department and/or Office of the Sheriff to reduce the risk of misappropriation of funds.

Management's Response: A policy has been put in place with regards to the "Significant Deficiency" noted in the Sheriff's Financial Audit for the Period January 1, 2015 to December 31, 2015 as follows:

When a manual change to the AS400 is needed the Information Systems department is notified by email. This email will include the specific change and the reason for the change. Once the change has been made, a follow-up email is forwarded to the Office of the Sheriff. This change is signed off on by management and kept in the financial file for audit review.

Disposition: No longer a significant deficiency in 2016