

Lancaster County Treasurer Audit Report

For the period of January 1, 2020, through December 31, 2021



Lisa K. Colón
Lancaster County Controller

Lancaster County Treasurer Audit
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For the period January 1, 2020, through December 31, 2021

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Controller's Office

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Controller

Lisa K. Colón

Ms. Amber Martin, Treasurer
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Re. Amended Treasurer Audit Report

March 28, 2023

Attached is the amended audit report for the Lancaster County Treasurer Audit, as prepared by the Lancaster County Controller's Office. The examination period for the audit procedures was performed covering the period between January 1, 2020, through December 31, 2021. The Controller's Office tested and audited the financial and procedural affairs pertaining to the Treasurer's revenues and expenses incurred, in accordance with the applicable *Government Auditing Standards* and State and local laws and regulations.

While conducting our audit, we noted findings, and/or issues of noncompliance as a result of a deficiency in internal controls, thus allowing an opportunity for strengthening internal controls and operating efficiency. Please note it is the responsibility of the Treasurer and office management to ensure compliance with any and all applicable State and local laws and regulations, as well as County policy in place. We do not express an opinion or provide any assurance on the information examined because the limited procedures executed do not provide us with sufficient evidence to express an opinion.

The Controller's Office acknowledges the cooperation and commitment of the Treasurer and staff in assisting with this audit. This report is intended for the information and use of the Treasurer's Office and its management, and is not intended to be, and should not be used by anyone other than the specified party without consent. However, this report is a matter of public record, and its distribution is not limited. This report was amended to include Observation Responses by both the Treasurer's Office and Controller's Office.

Sincerely,

Lisa Colón

Lancaster County Controller



Lancaster County Treasurer
Relevant Audit Notes
For the period January 1, 2020, through December 31, 2021

Note A – TREASURER MISSION STATEMENT

The County Treasurer’s Office mission is to:

- Provide impeccable customer service to our constituents, agents, and customers.
- Safeguard public funds and ensure their availability when needed.
- Minimize banking/investment service costs while maximizing returns on the County’s investments.
- Collect and remit the Lancaster County hotel room rental tax and the County hotel excise tax.
- Act as a partner with the State of Pennsylvania to efficiently issue assign state licenses.
- Ensure that the Tax Claim Bureau acts in a fair, reasonable, and socially responsible fashion.¹

Note B – DESCRIPTION OF TREASURER’S OFFICE

The Treasurer’s Office is responsible for collecting county and municipal real estate taxes in the taxing districts where there is not an independently elected or appointed tax collector. In addition to collecting current real estate taxes, the Treasurer’s Office also contains the Tax Claim Bureau for the County of Lancaster. The Tax Claim Bureau is responsible for collecting delinquent real estate taxes. If tax bills that are to be collected by the Treasurer’s Office are not properly paid by December 31, the Treasurer’s Office will certify the taxes as uncollected and transfer the taxable parcels to the Tax Claim Bureau. The Treasurer’s Office also collects hotel taxes remitted by hoteliers, and owners of local bed and breakfasts. The hotel tax is collected by Lancaster County and then remitted to the Lancaster County Convention Center and Discover Lancaster.

Aside from collecting current and delinquent real estate taxes, the Treasurer’s Office is also responsible for collecting fees associated with and issuing dog licenses, pistol permits, small games of chance, bingo licenses, fishing licenses and hunting licenses. Sale of pistol permits, small games of chance, and bingo licenses are revenues remitted to the County.²

Note C – SCOPE AND PROCEDURES OF AUDIT

The period of review is January 1, 2020 through December 31, 2021, which covers both 2020 and 2021 fiscal years. The performance audit was performed in accordance with applicable *Government Auditing Standards*, issued by the Comptroller of the United States. Under the current audit procedures and policies in place and guidance of the newly elected Controller, the Lancaster

¹ Office of the Lancaster County Treasurer, Organizational Development Plan

² <https://www.co.lancaster.pa.us/162/Treasurer>

Lancaster County Treasurer
Relevant Audit Notes (continued)
For the period January 1, 2020, through December 31, 2021

Note C – SCOPE AND PROCEDURES OF AUDIT (continued)

County Controller's Office has audited the Lancaster County Treasurer.

The Controller's Office obtained a full understanding of the controls emplaced, their functions, control operators and the level of segregation of duties over the revenue and expense process.

A selection of samples from the Revenue accounts were obtained for testing. A sample of eight revenues were selected from the Revenue AP Detail to minimize sampling risk to the lowest level and ensure that each item of the population had a fair and equal chance of selection. Only revenues to the County were selected for testing, which includes sales of pistol permits, small games of chance, and bingo licenses.

A selection of samples from the Expense accounts were obtained for testing. A sample of ten expenses were selected from the Expense AP Detail to minimize sampling risk to the lowest level and ensure that each item of the population had a fair and equal chance of selection. The selected items comprised of office supplies, bank charges, bonding premiums, software charges and travel expenses.

Note D – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Treasurer's Office reports on the cash basis of accounting. Under the cash basis of accounting, revenues are recognized when cash has been received and expenses are recognized when the cash disbursement has been made.

Note E – OBSERVATIONS, FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

The Controller's Office reported certain observations and findings along with recommendations for improvement as a result of the examination performed over the transactions of the Treasurer's Office. The Treasurer's Office provided responses to these observations, findings, and recommendations. The sections detailing both follow this note.

Lancaster County Treasurer
Audit Findings & Observations
For the period January 1, 2020, through December 31, 2021

This section of the report presents the findings and observations that resulted from our audit procedures. According to the *Governmental Auditing Standards*, the development of the criteria, condition, cause, and effect of the findings are relevant and necessary to achieve the audit objective(s). A finding may be a result of an underlying control deficiency, whether evaluated on an individual basis or in the aggregate. As such, to determine their impact to the audit objective, the magnitude of impact, likelihood of occurrence and the nature of the deficiency should be carefully considered, if a deficiency exists. Following the findings and observations, we provide recommendations to correct the described occurrences.

Finding #1: Approval of Incomplete Licenses/Permits

Background:

Applications for Small Games of Chance, Bingo licenses special raffle and pistol permits are made available to organizations/applicants in person and/or online. Each application instructs how applicants must complete their application prior to submission to the Treasurer. All new applicants or “initial applications” of Small Games of Chance and Bingo licenses should provide the following documents attached to the application: (1) check, cashier’s check, or money order; (2) Schedule Sheet, for Games of Chance applications only; (3) articles of incorporation if incorporated or bylaws or other legal documents that define the organization’s structure and purpose(s); (4) a copy of the IRS tax exemption approval letter or official documenting the organizations’ nonprofit charitable status; (5) written lease or rental agreements or a copy of the deed of the premise upon which games of chance will be conducted; (6) organizations with proceeds in excess of \$20,0000 must include the most recent report filed with the department (for Games of Chance applications only); and (7) the name of the financial institution and the account number for the association Bingo account into which the proceeds will be deposited prior to distribution (for Bingo licenses only). Once complete, applications are required to be signed by either the preparing applicant (Small Games of Chance and Bingo License); the executive officer or secretary of association (Special Raffle Permits); or the applying licensee (Pistol Permits). Signatures indicate acknowledgement that statements made within the application are true and correct. Only Games of Chance or Bingo license applications must be sworn in the presence of a notary public to indicate that the statements within the application are true and correct.

Description:

Small Games of Chance Licenses

When testing the receipts obtained from the sale of Small Games of Chance licenses, the Controller’s Office identified two applications with missing notary dates by the notary. Although uncommon and neither the applicant nor the Treasurer are responsible for missing notary dates, the notarization is incomplete and invalid, resulting in an incomplete application and should not

Lancaster County Treasurer
Audit Findings & Observations (continued)
For the period January 1, 2020, through December 31, 2021

Finding #1: Approval of Incomplete Licenses/Permits (continued)

Description: *Small Games of Chance Licenses (continued)*

be processed further. On an initial application for a Small Games of Chance license, an application was submitted without providing an IRS tax exemption approval letter or any documentation indicating the organization's nonprofit charitable status; eight initial applications were submitted without copies of the lease or rental agreement, if rented, or a copy of the deed, if owned, to indicate the premise upon which games of chance will be conducted; and four initial applications were submitted without any supporting documentation, such as articles of incorporation, company bylaws, IRS tax exemption approval letter, lease or rental agreements for the premise where games will be conducted, as instructed on the bottom of page 2 of the Pennsylvania Rev-1752 form, Eligible Organization Game of Chance application. Additionally, on three Games of Chance applications, the applicant did not indicate whether the application was an initial or a renewal application and no supporting documentation was provided, as instructed on the application. Four Small Games of Chance applications left the licensed premise unanswered and did not indicate whether the premise was owned, leased or owned/leased by another licensed eligible organization, or "OTHER". On three separate applications, the "OTHER" was checked off without an explanation. Per the 2013 Act 92 of the Pennsylvania Statue, under Section 307 (b.1) Location of games of chance, "*the licensed premises shall be indicated on the eligible organization's license application*" ... whether owned or leased, or any other reason.

Bingo Licenses

When testing the receipts obtained from the sale of Bingo licenses, the Controller's Office identified three applications submitted to the Treasurer, where the applicant did not provide the necessary documentation, such as the organization's bylaws, articles of incorporation, deed, or bill of sale of equipment to be used, which is required to submit an initial Bingo License application, as instructed on both the Lancaster County Application for Bingo License and the Commonwealth of Pennsylvania Application for Bingo License, revised and available after April 2021. Additionally, on one Bingo license application, the applicant did not indicate whether the application was an initial or a renewal application and no supporting documentation was provided, as instructed on the application. On three Bingo license applications, the license premise question was left unanswered, and did not indicate whether the premise of the association where Bingo would be hosted was either leased or owned.

Lancaster County Treasurer
Audit Findings & Observations *(continued)*
For the period January 1, 2020, through December 31, 2021

Finding #1: Approval of Incomplete Licenses/Permits *(continued)*

Special Raffle Permits

When testing the receipts obtained from the sale of special raffle permits, the Controller's Office identified an approved Special Raffle Permit application with a missing signature from the Executive Officer or Secretary of the Association. The signature required represents the applicant acknowledging the statements within the application is true and correct as well as becoming subject to the provisions of Section 4904 of the Pennsylvania Crimes Code, pertaining Unsworn Falsifications to Authorities.

Pistol Permits

When testing the receipts obtained from the sale of pistol permits, the Controller's Office identified five applications with missing signatures from the applicant. Of the five applications, one pistol permit application was missing a signature from the Treasurer. The Controller's Office acknowledged that the Treasurer included all pistol permit applications in their monthly sales report to the Pennsylvania State Police, as per usual routine.

Observation #1: Inconsistent Invoice Dates between Invoice and Voucher

Background:

When the Treasurer obtains an invoice for an office or department related expense, the Treasurer's Office must submit a voucher form with the detail information of the expense, such as the invoice number, invoice date, vendor name, line description, and amount total. Once the Controller's Office obtains the voucher form along with a copy of the invoice, the Controller's Office will input the voucher details into PeopleSoft and remit payment to the vendor.

Description:

While performing testing procedures over the selected expense samples, the Controller's Office identified two instances where the invoice date from the invoice was different from the invoice date on the voucher form, written up by the Treasury's Office. For Sample #1317, the invoice sent to the Treasurer's was dated 12/30/2019, however, was recorded as 2/6/2020 on the voucher form. For Sample #4104, the invoice date, on the invoice, was dated 10/24/2021, but was recorded as 10/26/2021 on the voucher form. Although the Treasurer's Office did not identify this error, the Controller's Office acknowledges that the mistake was also not recognized when received by the Accounts Payable department for payment. AP has been informed of these occurrences and will be vigilant in review of vouchers presented to them.

Lancaster County Treasurer
Audit Findings & Observations (*continued*)
For the period January 1, 2020, through December 31, 2021

Observation #2: Incorrect Expense Coding

Background:

The expense account #7323 or Travel, is the expense account to be utilized for travel expenses and purchase of all travel, including mileage, plane, rail tickets, hotel rooms, tolls, parking, all while on County business.

Description:

While performing testing procedures over the selected expense samples, the Controller's Office identified a fuel expense for a conference travel booked to the expense account #7323, Travel. Although the expense itself is a valid and acceptable expense to the County, the expense was coded incorrectly to the wrong expense account. The Treasurer's Office should consider the following accounts: Account #7343, Conference Travel for Certification, for all travel expenses incurred for the purpose of obtaining certifications; or Account #7344, All Other Conference Travel, for all other travel expenses that do not fall between the Account #7323 or #7343.

Lancaster County Treasurer
Audit Responses
For the period January 1, 2020, through December 31, 2021

Based on the Audit Findings & Observations section of this report, the Controller's Office provides an opportunity for management to respond to audit findings and/or observations. This section represents the responses from the Treasurer's Office to the findings, as deemed necessary, identified in the previous section. This audit report was made available to the Treasurer's Office on August 9th, 2022. This section has been amended from the original filing to include the Treasurer and Controller's Office Responses to Observations 1 and 2.

A. Treasurer's Response to Finding #1: Approval of Incomplete Licenses/Permits

Small Games of Chance Licenses

We appreciate you bringing to our attention that two applications were found where the notarial officer failed to date the application. However, we would not reject an application based upon a relatively minor mistake made by the notary. Doing so would place an unjust burden on our customers and penalize them for an unknown error. As you are aware, customers must come to our city office and pay for parking. In these isolated situations, my staff would contact the notary and ask them to verbally verify the application. I have advised my team members to note on the application the date/time they speak with the notary, should this situation reoccur. The notary would then send into our office any documentation they feel is necessary to make sure their error was properly corrected based upon the laws which govern notaries.

The Controller's Office noted that the Treasurer's Office approved, "one initial application without providing an IRS tax exemption approval letter or any documentation indicating the organization's nonprofit charitable status." The Treasurer would like to point out that the "applicant" has a Form 990 that the Treasurer's Office was able to easily locate. Per the PA Department of Revenue, it is up to the discretion of the County Treasurer to determine what constitutes acceptable documentation.

The Controller's Office noted that "eight initial applications without copies of the lease or rental agreement, if rented, or a copy of the deed, if owned, to indicate the premise upon which games of chance will be conducted." The Treasurer wishes to remind the Controller's Office that the County Treasurer issues all the Lancaster County tax bills. If an applicant checks "Owned by Organization" but they forgot to bring in their deed to support their claim, the Treasurer's staff can easily verify their disclosure. To deny an application based on information my staff can easily verify would run counter to common sense and the mission of the Treasurer's Office. We are a very customer-centric office and to create more unnecessary red-tape for our customers/taxpayers is simply not something we are willing to do. Per the PA Department of Revenue, it is up to the discretion of the

Lancaster County Treasurer
Audit Responses (*continued*)
For the period January 1, 2020, through December 31, 2021

County Treasurer to determine what constitutes acceptable documentation. The application process is very tedious and confusing for many applicants. If my team members can aid them (verifying deed information via County programs, going to an organization's website to retrieve documents, calling applicable stakeholders for verification purposes, etc.) that is what I expect my staff to do.

The Controller's Office noted that, "four initial applications were identified that did not include any supporting documentation, at all, as instructed on Page 2 of the Small Games of Chance application." Per the PA Department of Revenue, it is up to the discretion of the County Treasurer to determine what constitutes acceptable documentation. The application process is very tedious and confusing for many applicants. If my team members can aid them (verifying deed information via Lancaster County informational systems, going to an organization's website to retrieve documents, calling applicable stakeholders for verification purposes, etc.) that is what I expect my staff to do. Moving forward, my team members will note on the application how information was verified.

Three Games of Chance applications had no indication of whether the application was initial or a renewal application and did not have any supporting documentation (i.e., deed, bylaws, or IRS tax exemption approval):

- i. 8/4/2020 - Application #20200190
- ii. 1/19/2021 - Application #20210010
- iii. 5/13/2021 - Application #20210111

The Treasurer agrees that a box should have been checked by each applicant. However, in support of these long-standing organizations and the services they each provide our county; we note that our team members have verified initial application support documentation by going to an organization's website. This practice prevents organizations from having to needlessly leave our office to make copies of paperwork that is virtually accessible to us. The team has been told to note this assistance, when applicable, on the application.

Four applications of Small Games of Chance, the applicant left the licensed premise applicable to the organization unanswered and did not indicate whether the premise was owned, leased, or owned/lease by another licensed eligible organization, or "OTHER (Explain)":

- i. 10/27/2020 - Application #20200261
- ii. 1/4/2021 - Application #20210001
- iii. 1/6/2021 - Application #20210002
- iv. 1/21/2021 - Application #20210020

Lancaster County Treasurer
Audit Responses (*continued*)
For the period January 1, 2020, through December 31, 2021

The Treasurer agrees that a box should have been checked by each applicant. However, in support of these long-standing organizations and the services they each provide our county; we note that our team members can verify ownership via our own systems. This practice prevents organizations from having to needlessly leave our office to make copies of paperwork that is virtually accessible to us. The team has been told to note this assistance, when applicable, on the application.

Three separate applications, the "OTHER (Explain)" was checked off without an explanation. Per the 2013 Act 92 of the Pennsylvania Statute, under Section 307 (b.1) Location of games of chance, "the licensed premises shall be indicated on the eligible organization's license application" ... whether owned or leased, or any other reason.

- i. 6/18/2020 - Application #20200162
- ii. 6/22/2020 - Application #20200163
- iii. 5/7/2021 - Application #20210108

The Treasurer agrees that the Controller has cited the correct provision of the law. However, gray areas do exist, and our office relies on County Detectives if there is a question regarding what/if anything an organization should provide. Verbal explanations have been given by applicants. The Treasurer has directed the staff to note all County Detective conversations, applicant disclosures, and approvals on the applications.

Bingo Licenses

Per the PA Department of Revenue, it is up to the discretion of the County Treasurer to determine what constitutes acceptable documentation. The application process is very tedious and confusing for many applicants. If my team members can aid them (verifying deed information via County programs, going to an organization's website to retrieve documents, calling applicable stakeholders for verification purposes, etc.) that is what I expect my staff to do. Moving forward, my team members will note on the application how information was verified.

One Bingo License application, that the applicant did not specify whether they were submitting an initial application or renewing a previously held Bingo License. Three Bingo applications also left box #11 unanswered, indicating whether the premise of the association/where Bingo would be hosted is either leased or owned. As stated, Bingo applications were brought down before we were able to make scans/copies of applications. The Treasurer is unable to comment on this section without the actual documentation to support the Controller's Office findings.

Lancaster County Treasurer
Audit Responses (*continued*)
For the period January 1, 2020, through December 31, 2021

Special Raffle

On one of these [*special raffle*] permits, the Treasurer's Office did not sign off, the Treasurer acknowledges that one special raffle permit applicant forgot to sign and date their application. The team member responsible for that one special raffle permit is no longer with us but we have reviewed the error with all applicable team members.

Pistol Permits

The Audit Report states that five Pistol Permits were missing signatures. This shall be updated to reflect six Pistol Permits. The Treasurer's Office wishes to point out that one of the copies of the three-copy pistol permit application is sent to the State Police. At no point has the State Police rejected a pistol permit for the applicant not signing their permit at the Treasurer's Office. The Treasurer agrees that our office should sign each pistol permit application and the one pistol permit application in question, was either an oversight on the part of the former staff member, or the signer failed to sign hard enough so the signature copied onto the third form. The Treasurer has directed the staff to have the permit applicant also sign their copy at the Treasurer's Office.

Controller's Office Response:

Small Games of Chance Licenses

The Controller's Office reaffirms the finding and agrees that the client (i.e., applicant) is not to be held responsible for an error unknown to them. We agree that staff may contact the notary to have any documents submitted to the Treasurer's Office if missing or incorrect, and attached to the application prior to the approval of the application being granted.

Per the PA Department of Revenue Small Games of Chance Application instructions, these items must be included and attached to the application. If staff is able to locate and verify supporting documentation through County programs and software(s), the Controller's Office agrees that such verification of items should be noted on the application. When noted, the Controller's Office recommends that the clerk's name, date, time, document(s) verified and the method/source of verification should clearly be documented, and the missing documentation attached as per application instructions. The requirements of each application can also be found by reviewing State regulations governing this topic, to include, but not limited to Title 61 PA. Code 901.191.

Lancaster County Treasurer
Audit Responses (*continued*)
For the period January 1, 2020, through December 31, 2021

Bingo

Per the Commonwealth of PA Bingo License Application instructions, these items must be included and attached to the application. If staff is able to locate and verify supporting documentation through County programs and software(s), the Controller's Office agrees that such verification of items should be noted on the application. When noted, the Controller's Office recommends that the clerk's name, date, time, document(s) verified, and the method/source of verification should clearly be documented, and the missing documentation attached as per application instructions.

Pistol Permits

The Controller's Office reaffirms the finding. The audit report accurately stated five pistol permit applications. Four of the five applications were missing applicant signatures, and one of the five was missing the applicant signature and the Treasurer's signature. If needed, signers may also sign any carbon copies. The signature required represents the applicant acknowledging the statements within the application is true and correct as well as becoming subject to the provisions of Section 4904 of the Pennsylvania Crimes Code, pertaining Unsworn Falsifications to Authorities.

For any type of application, whether Small Games of Chance Licenses, Bingo licenses, pistol permits, or special raffle permits, where staff is able to locate and verify supporting documentation through County programs and software(s), the Controller's Office agrees that such verification of items should be noted on the application. When noted, the Controller's Office recommends that the clerk's name, date, time, document(s) verified and the method/source of verification should clearly be documented, and the missing documentation attached as per the corresponding application's instructions. Prior to the approval of the application, the application should be completed in its entirety, with all questions answered and all signatures gathered.

B. Treasurer's Office Response to Observation #1: Inconsistent Invoice Dates Between Invoice and Voucher

As the Controller pointed out, the Controller's Office issued checks to pay the two invoices referenced. It appears the employee may have dated the voucher form for the date they were submitting the invoice(s). If this was not correct, the Controller's Office should have pointed that "error" out before they paid the invoice(s). Claiming a "perceived" error in 2022, from 2019, and 2020, even after the Controller's Office paid the invoices, is neither timely nor the correct way to handle this situation. The Treasurer's observation is that if the Controller is not in agreement with how a voucher form is completed/submitted, the Controller should not pay the invoice until the voucher is corrected.

Lancaster County Treasurer
Audit Responses (*continued*)
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Controller's Office Response:

The Controller's Office reaffirms the observation. As was noted within the observation write-up, the Treasurer's Office incorrectly completed the voucher based off of invoice information, and the Controller's Office acknowledged the failure of the AP division in observing the error prior to processing. AP was informed of the occurrences and will be aware of this in the future processing of invoices. If there is an error, or lack of clarity, the Treasurer's Office will be notified, and the voucher will be placed on hold until it is corrected. In response to objecting after the fact, that is the limitation but also benefit of an audit. To look back at the tasks that were done, note if they are not in line with expectations, and offer corrections for the future. The effect is insignificant and immaterial to the financial reporting and therefore categorized as an observation.

C. Treasurer's Office Response to Observation #2: Incorrect Expense Coding

The Controller's Office identified one "issue" where they felt the Treasurer's Office should have coded an expense allocation to another account. The Controller recommended alternative accounts but failed to acknowledge why this issue was not picked up (at the time of coding and reimbursement submission) by their office if indeed it is a concern. While the Treasurer appreciates the Controller's Office noting that this was an "approved expense" the Treasurer is uncertain how the Controller can object (after the fact) to the Treasurer's Office use of Account #7323 when this was the approved line-item for TRAVEL in our budget, which has been historically used for the expense submitted.

Controller's Office Response:

The Controller's Office reaffirms the observation and has provided a list of travel related accounts with their correct description and usage to ensure expenditures are being correctly coded. Dating back to 2010, an effort was put in place by a division within IT, Budget Services, as it is now known, to review and monitor various travel costs associated with the County. It was at that time that all were instructed to use various codes to further delineate the purpose of travel. For example, Account #7343, Conference Travel for Certification, for all travel expenses incurred for the purpose of obtaining certifications; or Account #7344, All Other Conference Travel, for all other travel expenses that do not fall between the Account #7323 or #7343. If the Treasurer's Office is not utilizing these accounts within their annual budget process, their travel funds would total under 7323, however, the responsibility remains on the department / office level for accurate breakout and coding of their travel expenses. In response to objecting after the fact, that is the limitation but also

Lancaster County Treasurer
Audit Responses (*continued*)
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benefit of an audit. To look back at the tasks that were done, note if they are not in line with expectations, and offer corrections for the future. As with similar concerns, our AP division has been made aware of this observation and will review the vouchers and write-ups with more scrutiny. If there is an error, or lack of clarity, the Treasurer's Office will be notified, and the request for processing will be placed on hold until it is corrected. This item was noted as an observation, as the expense was coded to a 7300's account and categorized as an expenditure for financial reporting purposes.

Lancaster County Treasurer
Audit Recommendations
For the period January 1, 2020, through December 31, 2021

Based on identified audit findings, observations and management's responses, the Controller's Office provides the following recommendations to correct and improve such described findings listed in the preceding section.

Finding #1: Approval of Incomplete Licenses/Permits

Controller's Recommendation

The Controller's Office recommends that notary stamp, signature and date have been completed by the notary before Treasurer's accepts any applications. As indicated by the Treasurer's response, any indication of missing information or erroneous entries by the notary should be forwarded to the responsible notary for updates/correction.

In the event that the Treasurer's Office staff is able to locate and verify supporting documentation through County programs and software(s), that such verification of items should be noted on the application. When noted, the Controller's Office recommends that the clerk's name, date, time, document(s) verified and the method/source of verification should clearly be documented, and the missing documentation attached as per application instructions. The requirements of each application can also be found by reviewing State regulations governing this topic, to include, but not limited to Title 61 PA. Code 901.191.

The Controller's Office recommends that the Treasurer's Office carefully ensures applicant and clerk's signatures on all required areas of applications. If needed, signers may also sign any carbon copies.

Lancaster County Treasurer
Audit Summary of Facts
For the period January 1, 2020, through December 31, 2021

We have performed procedures to assist in evaluating both internal controls, their effectiveness, substantive procedures over the County revenues and expenses, and compliance with laws and regulations of the Lancaster County Treasurer, for the 2020 and 2021 fiscal years.

Reportable conditions involved issues coming to our attention relating to significant deficiencies or non-compliance that could adversely affect the Treasurer's Office records. These conditions could adversely affect their ability to record and report financial data consistent with those standards of management. While conducting our audit, we noted findings, observations, and/or issues of non-compliance which are described in the Audit Findings and Observations Section.

We sampled County revenues and expense transactions for the years ending 2020 and 2021. Samples of County revenue selections were obtained from sales of games of chance licenses, bingo licenses and pistol permits. Expense samples were selected from a full expense AP detail for both years.

Procedures in evaluating internal controls included obtaining an understanding of the department (which includes the nature, objectives, applicable laws and regulations, and roles existing in the department), identifying significant process, and assessing control risk within. Internal controls may provide accuracy, reliability, and may protect against errors or fraud. Only key internal controls relevant to the objective of the audit were selected for testing. Substantive procedures are performed to detect a misstatement, whether material or immaterial to the audit.

The inherent limitations of any internal control structure and the sampling risk of a population can cause errors, irregularities, or inconsistencies to occur and/or not be detected. Our testing would not necessarily disclose all matters of the internal control structure that might be reportable conditions. Included in our audit, we have reported at least one finding that involves a deficiency in the internal control structure of the Lancaster County Treasurer's Office.

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 manner. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Statement 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.

The deficiency, as described in section 8.129 of the Government Auditing Standards, was a result of weak controls over approved County permits and license applications, The audit indicated that required documents were not submitted with the applications for Bingo and Small Games of Chance. The Treasurer's Office stated that they verified applicant required documentation, not

Lancaster County Treasurer
Audit Summary of Facts (*continued*)
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provided by the applicant, by alternative and capable means. However, the Treasurer's Office did not maintain records of the method of verification nor copies of the specific documents that were verified in order to accept and approve such an application. In future audits, we will continue to re-evaluate the internal control structure to ensure that policies and procedures do not become inadequate or ineffective because of changes in conditions or design.

We conducted our audit to obtain a reasonable understanding about whether the accounts tested are free of material misstatement. We did not express an opinion or provide any assurance on the information examined because the limited procedures executed do not allow us sufficient evidence to express an opinion.

**Lancaster County Treasurer
Controller's Office Summary
For the period January 1, 2020, through December 31, 2021**

We are pleased with the work the Lancaster County Treasurer's Office is performing, despite the finding and the observations noted. We believe the Treasurer's Office will demonstrate efficient and effective operations as our recommendations are put in place. Although the Treasurer's Office has been impacted by the absence of a key employee due to medical reasons, the Office was devoted to ensuring the completion of the Treasurer Audit for the 2020 and 2021 audit period.

As was stated in the response from the Treasurer, she reviewed the initial 2023 audit release with the prior Controller who held office during the audit period of 2020 and 2021, upon which it was stated that these are internal control failures of the Controller's office. While the Controller's Office will acknowledge and take accountability for the AP division's overlooking of the errors notated within Observations 1 and 2, they originated within the Treasurer's Office. Within the Treasurer's Office response as it relates to the Treasurer's discussion with the prior Controller, whose term ended in 2021, it is noted that the audit period under review was prior to the new administration of the Controller's Office, to which we agree.

Audits provide an opportunity for the auditee and auditor to notate any lack of internal controls, or failures. The Controller's Office will continue to provide recommendations that will reduce the likelihood of findings or observations repeating, both within our auditee's purview and the Office of the Controller. In the Treasurer's Office audits to follow, we will review for adherence to policy and the enactment of our recommendations regarding Finding #1

Lancaster County Treasurer
Applicable State, County and Local Codes, Rules, Laws and Regulations
For the period January 1, 2020, through December 31, 2021

COUNTY CODE

Act of Aug. 9, 1955, P.L. 323, No. 130 Cl. 16 - COUNTY CODE

Section 805. Misapplication of Funds Collected for Specific Purposes. --Whenever any moneys are collected by law in any county and are in the possession or control of the treasurer of the county, it shall be unlawful for the treasurer to apply such moneys, or any part thereof, to any other purpose than that for which the moneys were collected unless otherwise authorized by law. Every such misapplication shall constitute a violation of 18 Pa.C.S. § 3927 (relating to theft by failure to make required disposition of funds received).

Section 1760. Receipts and Accounts of Money Due County. --The county treasurer shall receive and receipt for all moneys due or accruing to the county. The treasurer shall keep proper accounts of all money received and disbursed. The treasurer's records shall be, at all times during office hours, open to the inspection of the controller and the commissioners, or any of the commissioners in counties having no controller. The treasurer shall issue receipts for all moneys received for the county and shall transmit the duplicate or triplicate thereof daily to the controller, ... Said receipts shall be serially numbered, shall indicate the amount of money received, from whom, on what account and the date. The treasurer shall likewise keep daily records of all disbursements from the county treasury, and shall forward daily records thereof to the controller, or the commissioners as the case may be. The controller, ..., shall have the right to review depository account information upon request from the county depository or depositories, without prejudice to the said depositories, of all moneys deposited in the name of the county by the treasurer.

BINGO LAW

2017 Act 66 - PA General Assembly – BINGO LAW – RULES FOR LICENSING AND OPERATION AND PENALTY Act of Dec. 22, 2017, P.L. 1213, No. 66 CL.04

SMALL GAMES OF CHANCE ACT

2013 Act 92 - PA General Assembly – LOCAL OPTION SMALL GAMES OF CHANCE ACT-OMNIBUS AMENDMENTS Act of Nov. 27, 2013, P.L. 1062, No. 92 CL.04