

ATTESTATION ENGAGEMENT

Prothonotary
Montgomery County, Pennsylvania
For the Period
January 8, 2008 to December 31, 2012

September 2015



Commonwealth of Pennsylvania
Department of the Auditor General
Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Independent Auditor's Report

The Honorable Eileen H. McNulty
Secretary
Pennsylvania Department of Revenue
Harrisburg, PA 17128

We have examined the accompanying statement of receipts and disbursements (Statement) of the Prothonotary, Montgomery County, Pennsylvania (County Officer), for the period January 8, 2008 to December 31, 2012, pursuant to the requirements of Sections 401(b) and 401(d) of *The Fiscal Code*, 72 P.S. § 401(b) and § 401(d). The County Office's management is responsible for this Statement. Our responsibility is to express an opinion on this Statement based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence supporting the Statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

We are mandated by Sections 401(b) and 401(d) of *The Fiscal Code* to audit the accounts of each county officer to determine whether all moneys collected on behalf of the Commonwealth have been correctly assessed, reported and promptly remitted. *Government Auditing Standards* issued by the Comptroller General of the United States include attestation engagements as a separate type of audit. An attestation engagement performed pursuant to *Government Auditing Standards* involves additional standards that exceed the standards provided by the American Institute of Certified Public Accountants. Accordingly, this attestation engagement complies with both *Government Auditing Standards* and Sections 401(b) and 401(d) of *The Fiscal Code*.

Independent Auditor's Report (Continued)

As discussed in the finding and recommendation section of this report:

- The computerized receipts system does not require that payment is received before a service is performed.
- The computer system assigned receipt numbers to transactions where no payment was received for the services performed.
- Our daily receipt testing found missing receipts numbers within the range used by each cashier for the days we selected and tested.

The internal control issues cited above create an environment that is conducive to fraud and misappropriation. Due to these issues, we could not perform our standard examination procedures, and alternate procedures that would enable us to achieve all of our audit objectives could not be substituted. As a result, the scope of our examination of the County Officer's Statement was limited, and it is possible that receipts in addition to those included on the Statement may have been collected and not remitted to the Commonwealth of Pennsylvania.

In our opinion, except for the effects, if any, of the matters noted in the preceding paragraph, the Statement referred to above presents, in all material respects, the operations of the County Officer as it pertains to receipts made on behalf of the Commonwealth for the period January 8, 2008 to December 31, 2012, in conformity with the criteria set forth in Note 1.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Statement; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the Statement. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the Statement is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on internal control over reporting on the Statement or on compliance and other matters; accordingly, we express no such opinions.

Our consideration of internal control over reporting on the Statement was for the limited purpose of expressing an opinion on whether the Statement is presented in accordance with the criteria described above and was not designed to identify all deficiencies in internal control over reporting on the Statement that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

Independent Auditor's Report (Continued)

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 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. We consider the deficiency listed below to be a material weakness.

- Inadequate Internal Controls Over the Computerized Receipts System.

As part of obtaining reasonable assurance about whether the Statement is free from material misstatement, we performed tests of the County Officer's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of Statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our engagement, 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*.

This report is intended solely for the information and use of the Pennsylvania Department of Revenue, the Administrative Office of Pennsylvania Courts, and the County Officer and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the courtesy extended by the Prothonotary, Montgomery County, to us during the course of our examination. If you have any questions, please feel free to contact Michael B. Kashishian, CPA, CGAP, CFE, Director, Bureau of County Audits, at 717-787-1363.



Eugene A. DePasquale
Auditor General

August 17, 2015

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PROTHONOTARY
MONTGOMERY COUNTY
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 8, 2008 TO DECEMBER 31, 2012

Receipts:

Writ Taxes	\$ 42,852
Divorce Complaint Surcharges	92,650
Judicial Computer System/Access To Justice Fees	1,579,203
Protection From Abuse Surcharges and Contempt Fines	5,525
Criminal Charge Information System Fees	<u>31,084</u>
Total Receipts (Note 2)	1,751,314
Commissions (Note 3)	<u>(1,286)</u>
Net Receipts	1,750,028
Disbursements to Commonwealth (Note 4)	<u>(1,750,973)</u>
Balance due Commonwealth (County) per settled reports (Note 5)	(945)
Examination adjustments (Note 6)	<u>945</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2008 to December 31, 2012	<u>\$ -</u>

Notes to the Statement of Receipts and Disbursements are an integral part of this report.

PROTHONOTARY
MONTGOMERY COUNTY
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 8, 2008 TO DECEMBER 31, 2012

1. Criteria

The Statement of Receipts and Disbursements provides a summary of receipts and disbursements by category. The categories and the amounts of taxes, surcharges, fines, and fees assessed are based on Pennsylvania laws and regulations.

The Statement was prepared in accordance with reporting requirements prescribed by the Pennsylvania Department of Revenue. Under this method, only the Commonwealth portion of cash receipts and disbursements are presented, revenues are recognized when received, and expenditures are recognized when paid.

2. Receipts

Receipts consist of monies collected on behalf of the Department of Revenue and the Administrative Office of Pennsylvania Courts. These include monies collected for the following taxes, surcharges, fees, and fines:

- Writ Taxes represent a \$.50 or \$.25 tax imposed on taxable instruments filed with the Prothonotary.
- Divorce Complaint Surcharges represent a \$10 surcharge imposed on all divorce decrees.
- Judicial Computer System/Access To Justice Fees represent a \$10 fee imposed for the filing of any legal paper to initiate a civil action or proceeding. These fees were increased to \$23.50 for the period December 8, 2009 to December 31, 2012.
- Protection From Abuse Surcharges represent a \$25 surcharge imposed against defendants when a protection order is granted as a result of a hearing. Effective May 9, 2006, the surcharge was increased to \$100. Protection From Abuse Contempt Fines represent fines of not less than \$100 nor more than \$1,000 imposed against a defendant who is found to be in violation of a protection from abuse order. Effective May 9, 2006, the fine was increased to a minimum of \$300 and maximum of \$1,000.

PROTHONOTARY
MONTGOMERY COUNTY
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 8, 2008 TO DECEMBER 31, 2012

2. Receipts (Continued)

- Criminal Charge Information System Fees represent a fee imposed on all custody cases. Of the fee imposed, 80% is payable to the Administrative Office of Pennsylvania Courts (AOPC) and 20% is payable to the County in which the action took place. The fee was \$7.00 for the period January 8, 2008 to December 31, 2010, and \$7.50 for the period January 1, 2011 to December 31, 2012. The statement of receipts and disbursements only reflects the portion collected on behalf of the AOPC.

3. Commissions

Acting in the capacity of an agent for the Commonwealth, the Prothonotary is authorized to collect a commission of 3 percent on the Commonwealth portion of Writ Taxes. Accordingly, commissions owed the county are not included in the balance due the Commonwealth.

4. Disbursements

Total disbursements are comprised as follows:

Prothonotary checks issued to:

Department of Revenue	\$ 1,719,889
Adminstrative Office of Pennsylvania Courts	<u>31,084</u>
Total	<u><u>\$ 1,750,973</u></u>

5. Balance Due Commonwealth (County) For The Period January 8, 2008 To December 31, 2012

This balance reflects a summary of monthly transmittal reports as settled by the Department of Revenue. The balance also reflects a summary of receipts disbursed directly to the Administrative Office of Pennsylvania Courts.

PROTHONOTARY
MONTGOMERY COUNTY
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 8, 2008 TO DECEMBER 31, 2012

6. Examination Adjustment

During the prior audit for the period from January 1, 2005 to January 7, 2008, we determined that there was a balance due to the Commonwealth of \$945. This balance due was paid to the Department of Revenue in October 2009.

7. County Officer Serving During Examination Period

Mark Levy served as Prothonotary during the period January 8, 2008 to December 31, 2012.

PROTHONOTARY
MONTGOMERY COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 8, 2008 TO DECEMBER 31, 2012

Finding - Inadequate Internal Controls Over The Computerized Receipts System

The County Office used a computerized receipts system to document all services performed in the office. The computerized receipts system assigns a receipt number for each new customer transaction.

Our examination disclosed the following deficiencies in the internal controls over the computerized receipts system:

- The computerized receipts system does not require that payment is received before a service is performed. If the customer does not have the funds to pay the amount due, the receipt is “invoiced” where the amount due is recorded as owed by the customer and the service is still recorded and processed. The invoiced receipt is then assigned an outstanding invoice number. This outstanding invoice number replaces the original receipt number.
- The computer system assigned receipt numbers to transactions where no payment was received for the services performed. Our examination found that 942 of the 4,161 receipts tested had a zero receipt total as of December 31, 2012.
- Our daily receipt testing found missing receipts numbers within the range used by each cashier for the days we selected and tested. Therefore, we could not account for all receipt numbers. The original receipt number is not recorded on the daily receipt total listing prepared by the computer system. When payment is received for an invoiced receipt the outstanding invoice number is used to retrieve the receipt information. Once the actual payment is processed, the computer system assigns a new receipt number to the transaction and the new receipt number is recorded on the daily reports. Some of the missing receipt numbers may be attributed to the invoicing of original receipt numbers, but we could not always verify that this was the case.

Good internal accounting controls ensure that:

- Receipts are only issued for transactions that are paid at the time the service is initiated.
- All transactions are paid in full before services are performed. Any outstanding balances should be immediately investigated and resolved.
- All receipts are accounted for and maintained.

PROTHONOTARY
MONTGOMERY COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
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Finding - Inadequate Internal Controls Over The Computerized Receipts System
(Continued)

Without a good system of internal controls over funds received by the office, the possibility of funds being lost or misappropriated increases significantly.

These conditions existed because the office failed to establish adequate internal controls over the receipting system.

Recommendation

We recommend that the office establish and implement an adequate system of internal controls over the computerized receipts system as noted above.

Management's Response

The County Officer responded as follows:

We agree. We are continuing to work with the vendor to improve the computerized receipts system.

Auditor's Conclusion

During the next examination we will determine if the office complied with our recommendation.

PROTHONOTARY
MONTGOMERY COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 8, 2008 TO DECEMBER 31, 2012

This report was initially distributed to:

The Honorable Eileen H. McNulty
Secretary
Pennsylvania Department of Revenue

The Honorable Thomas B. Darr
Court Administrator of Pennsylvania
Supreme Court of Pennsylvania
Administrative Office of Pennsylvania Courts

The Honorable Mark Levy	Prothonotary
The Honorable Stewart J. Greenleaf, Jr.	Controller
The Honorable Josh Shapiro	Chairperson of the Board of Commissioners

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov.