

ATTESTATION ENGAGEMENT

Prothonotary
Greene County, Pennsylvania
For the Period
January 1, 2011 to December 31, 2013

December 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, Greene County, Pennsylvania (County Officer), for the period January 1, 2011 to December 31, 2013, 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*.

In our opinion, 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 1, 2011 to December 31, 2013, in conformity with the criteria set forth in Note 1.

Independent Auditor's Report (Continued)

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.

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 deficiencies listed below to be material weaknesses.

- Misappropriation Of Funds.
- Inadequate Voided Receipt Procedures.
- Inadequate Accountability Over Funds Held In Escrow.
- Inadequate Internal Controls Over Computer System.

As part of obtaining reasonable assurance about whether the Statement is free from material misstatement, we performed tests of the County Office'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 other instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Independent Auditor's Report (Continued)

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, Greene 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.



September 4, 2015

Eugene A. DePasquale
Auditor General

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PROTHONOTARY
GREENE COUNTY
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2013

Receipts:

Writ Taxes	\$ 1,143
Divorce Complaint Surcharges	3,290
Judicial Computer System/Access To Justice Fees	41,914
Protection From Abuse Surcharges and Contempt Fines	1,050
Criminal Charge Information System Fees	<u>1,158</u>
Total Receipts (Note 2)	48,555
Commissions (Note 3)	<u>(34)</u>
Net Receipts	48,521
Disbursements to Commonwealth (Note 4)	<u>(43,270)</u>
Balance due Commonwealth (County) per settled reports (Note 5)	5,251
Examination adjustments (Exhibit 1)	<u>(4,850)</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2011 to December 31, 2013	<u>\$ 401</u>

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

PROTHONOTARY
GREENE COUNTY
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2013

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, 2014.
- 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 \$1000.

PROTHONOTARY
GREENE COUNTY
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2013

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 \$7.50 for the period January 1, 2011 to December 31, 2013. 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	\$ 42,112
Adminstrative Office of Pennsylvania Courts	<u>1,158</u>
Total	<u><u>\$ 43,270</u></u>

5. Balance Due Commonwealth (County) For The Period January 1, 2011 To December 31, 2013

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. It does not reflect adjustments disclosed by our examination. Refer to Exhibit 1.

6. County Officer Serving During Examination Period

Susan Kartley White served as Prothonotary during the period January 1, 2011 to December 31, 2013.

PROTHONOTARY
 GREENE COUNTY
 EXHIBIT 1
 FOR THE PERIOD
 JANUARY 1, 2011 TO DECEMBER 31, 2013

Exhibit 1 - Schedule Of Reporting Errors And Examination Adjustments

<u>Month</u>	<u>Year</u>	<u>Examination Adjustments</u>	<u>Explanation</u>
January	2011	\$ (1,000)	Underpayment to offset past overpayment
February	2011	(1,000)	Underpayment to offset past overpayment
March	2011	(1,000)	Underpayment to offset past overpayment
April	2011	(1,000)	Underpayment to offset past overpayment
May	2011	(802)	Underpayment to offset past overpayment
March	2012	<u>(48)</u>	Improperly reported voids
		<u>\$ (4,850)</u>	Total Adjustments

PROTHONOTARY
GREENE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2013

Finding No. 1 - Misappropriation Of Funds

In March of 2012, the county purchased new software for recording of receipts in the Prothonotary's Office. The new software permitted all employees to perform voided transactions adjustments without supervisory approval. In February of 2013, the Greene County Prothonotary became suspicious of the Family Court Coordinator. After a detailed investigation by the Greene County Controller's Office, it was revealed that the Family Court Coordinator had misappropriated funds. The former Family Court Coordinator was able to misappropriate funds by targeting small cash receipts, mostly payments for copies, and void these transactions in order to remove and keep cash collections before the daily deposit was made.

The County Controller's Office identified 33 receipts with cash payments that had been voided between March 2012 and February 2013. The Controller's Office sent confirmations to all 33 individuals listed on the voided receipts. Numerous individuals were able to provide copies of the receipts that document cash payments. The County investigation found 14 instances of fraudulently voided receipts totaling \$615. The Comptroller's office could not confirm that fraudulent activity occurred on the remaining 19 transactions.

These conditions existed because the office failed to establish adequate internal controls over voided transactions adjustments. Please refer to Finding No. 2 and Finding No. 4 for further information.

Good internal accounting controls ensure that voided transactions are reviewed and approved by an appropriate official.

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

The former Family Court Coordinator resigned when informed of the impending investigation and was later found guilty of theft by unlawful taking and tampering with public records. Restitution in the amount of \$615 was paid in full and applied to the proper cases.

Recommendation

We recommend that the office establish and implement an adequate system of internal controls over voided transactions.

PROTHONOTARY
GREENE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2013

Finding No. 1 - Misappropriation Of Funds (Continued)

Management's Response

The County Officer responded as follows:

Regarding the voiding of transactions in the Prothonotary's Office, the following controls are now in place—and have been since the 2013 County investigation:

- Administrative Assistants are not permitted to void any transactions;
- Any transaction being voided requires the dated initials of two employees;
- The voided transaction requires both computer-generated receipts be retained for record keeping;
- Voided transactions require a written explanation for the void, which must also be entered into the computer at the time of the void;
- The voided transaction must also note the number for the receipt generated upon completing the transaction correctly.

Auditor's Conclusion

We appreciate the current officeholder's efforts to correct these conditions. During our next examination we will evaluate the adequacy of the office's internal controls over voided transactions.

PROTHONOTARY
GREENE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2013

Finding No. 2 - Inadequate Voided Receipt Procedures

As discussed in Finding No. 1, a former Prothonotary's Office employee misappropriated funds. Our examination disclosed that proper voided receipt procedures were not always followed. Of the 33 receipts tested, we noted the following:

- All 33 receipts listed cash as the payment type that were subsequently voided with questionable explanations.
- Employees were permitted to void transactions without supervisory approval.
- The office did not generate a monthly report in order to monitor voided receipts transactions.

Good internal controls require that all voided transactions have the proper documentation to explain the reason for the void along with the appropriate supervisory approval. Additionally, management should review a report of all voided transactions on a monthly basis to ensure that all voided transactions are necessary.

Without a good system of internal control over voids made by the office, the potential is increased that funds could be lost, stolen, or misappropriated.

Recommendation

We recommend that the Prothonotary establish and implement an adequate system of controls over voided receipts.

Management's Response

The County Officer responded as follows:

In addition to the procedures outlined in the response to the *Finding No. 1*, the following controls have been implemented:

- The Prothonotary or the Deputy Prothonotary reviews voided transactions every morning at the time the receipts are reviewed prior to making the daily deposit;
- The Prothonotary or the Deputy Prothonotary--upon review and having any question regarding the voided transaction, the explanation for the void, or the ensuing receipts resulting from correcting a voided transaction--will question the employee who voided the transaction as well as the employee responsible for the error causing a transaction to be voided.

PROTHONOTARY
GREENE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2013

Finding No. 2 - Inadequate Voided Receipt Procedures (Continued)

Auditor's Conclusion

We appreciate the current officeholder's efforts to correct these conditions. During our next examination we will evaluate the adequacy of the office's internal controls over voided transactions.

PROTHONOTARY
GREENE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2013

Finding No. 3 - Inadequate Accountability Over Funds Held In Escrow

Our examination disclosed that there was a lack of accountability over undisbursed funds. There was an adjusted bank balance of \$142,355.33 as of December 31, 2013 without a corresponding liabilities report indicating to whom the monies were due.

Good internal accounting control procedures ensure that the ending adjusted bank balance is reconciled with liabilities on a monthly basis and any discrepancies are immediately investigated and resolved. Since the office bank account is essentially an escrow account on behalf of the Commonwealth, County, and other participating entities, all available funds on hand should equal unpaid obligations.

Without a good system of internal controls over funds held in escrow, the possibility of funds being lost or misappropriated increases significantly.

This condition existed because the office failed to establish and implement an adequate system of internal controls over funds held in escrow.

Recommendations

We recommend that the office attempt to identify all existing liabilities associated with the office bank account and take appropriate action. Any unidentified funds should be accounted for under normal escheat procedures. Furthermore, we recommend that the office should ensure that reconciled cash equals unpaid obligations monthly.

Management's Response

The County Officer responded as follows:

During the audit, the Prothonotary investigated the \$142,355.33 balance in the Escrow account and discovered funds from the Stenographer's Account still remained in the Escrow account. Upon this discovery—and after researching the matter—the amount of \$69,242.00 was removed from the Escrow account and deposited into the Stenographer's account while the auditor was still performing his audit.

As well, further investigation revealed that several divorce cases contained funds for Master's Fees and Master's Hearing Fees that the parties' attorneys never asked to be refunded once the case was concluded. As well, there were cases in which Bond fees were paid and the attorneys never asked for refunds after the cases concluded. Checks were issued while the auditor was still performing his audit on those cases where parties were due a refund. Total amount refunded was \$14,011.04.

PROTHONOTARY
GREENE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2013

Finding No. 3 - Inadequate Accountability Over Funds Held In Escrow (Continued)

Management's Response (Continued)

At the conclusion of the audit, the escrow account had a balance of \$59,102.29. The Prothonotary's Office is still in the process of discovery to determine if additional refunds are necessary on cases that predate the computer operating system new to the office in 2012.

The office monthly writes checks for funds that are paid to the following:

- Treasurer of Greene County;
- Prothonotary Automation Fund;
- District Court Administration—Reporter Fund [formerly “Stenographers’ Fund”];
- Court Administrator of Greene County;
- Administrative Office of Pennsylvania Courts;
- Pennsylvania Department of Revenue.

Finally, at the conclusion of discovery, any remaining balance that is in excess of the liabilities of the Prothonotary's office will be escheated properly, and going forward, the account will balance with the liabilities of the office.

Auditor's Conclusion

We appreciate the current officeholder's efforts to correct these conditions. During our next examination we will evaluate the office's revised procedures.

PROTHONOTARY
GREENE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2013

Finding No. 4 - Inadequate Internal Controls Over Computer System

Our examination disclosed the following weaknesses in internal controls over the office's computer system:

- [Details of IT security controls deficiencies were redacted to protect the security of the Prothonotary's information.]
- The system does not maintain a record of liabilities or generate an escrow report. Therefore, the office is unable to reconcile cash on hand to their liabilities. Please refer to Finding No. 3 for further information.
- The computer system was not programmed to recognize and disburse the protection from abuse surcharge. A Protection from Abuse surcharge exceeding the minimum amount was not properly identified and/or disbursed as of the end of our examination period.
- Transactions that are processed and subsequently voided are permanently deleted from the system.

Good internal accounting controls ensure that:

- All computer terminals are protected with unique passwords for each employee to prevent any procedures from being performed without a clearly identifiable examination trail.
- A record of all liabilities is maintained and that a report of these liabilities is generated and reconciled by an appropriate employee on a monthly basis.
- The computer system is programed to assess all relevant fees in order to ensure that money is properly collected and disbursed to the appropriate agency.
- The computer system is programed to retain all documentation regarding voided transactions in order to properly monitor all transaction changes.

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

PROTHONOTARY
GREENE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2013

Finding No. 4 - Inadequate Internal Controls Over Computer System (Continued)

These conditions existed because the County failed to establish adequate internal controls over its computer system.

Recommendations

We recommend that the Prothonotary establish and implement an adequate system of internal controls over the computer system as noted above.

Management's Response

The County Officer responded as follows:

The following responses address the items of this finding:

[Management provided details of their IT security controls which have been redacted to protect the security of the Prothonotary's information.]

The computer vendor is working with the Prothonotary's Office to generate a monthly liabilities report.

The computer vendor has since taken care of the disbursement issue raised in the finding.

The Prothonotary's Office is in discussion with its software provider to allow voided transactions to be retained electronically.

The Prothonotary's Office is working with its software provider.

Auditor's Conclusion

As cited above, it is imperative that all computer terminals are password protected to prevent any procedures from being performed without a clearly identifiable examination trail.

We appreciate the current officeholder's efforts in working with their software provider to correct these conditions. During our next examination we will determine if the office complied with our recommendations.

PROTHONOTARY
GREENE COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2013

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 Susan Kartley White	Prothonotary
The Honorable David Balint	Controller
The Honorable Charles J. Morris	Chairperson of the Board of Commissioners

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