

CLERK OF THE COURT OF COMMON PLEAS  
AND COLLECTIONS OFFICE/  
PROTHONOTARY

LYCOMING COUNTY

EXAMINATION REPORT

FOR THE PERIOD

JANUARY 1, 2003 TO DECEMBER 31, 2006

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## Independent Auditor's Report

The Honorable Thomas W. Wolf  
Secretary  
Pennsylvania Department of Revenue  
Harrisburg, PA 17128

We have examined the accompanying statements of receipts and disbursements (Statements) of the Clerk of The Court of Common Pleas and Collections Office/Prothonotary, Lycoming County, Pennsylvania (County Officers), for the period January 1, 2003 to December 31, 2006, pursuant to the requirements of Sections 401(b) and 401(d) of *The Fiscal Code*, 72 P.S. § 401(b) and § 401(d). These Statements are the responsibility of the county offices' management. Our responsibility is to express an opinion on these Statements 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. An examination includes examining, on a test basis, evidence supporting the Statements 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)

In our opinion, the Statements referred to above present, in all material respects, the operations of the County Officers as it pertains to receipts made on behalf of the Commonwealth for the period ended December 31, 2006, in conformity with the criteria set forth in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of significant deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Statements and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Statements are presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over reporting on the Statements or on compliance and other matters; accordingly, we express no such opinions.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County Officers' ability to initiate, authorize, record, process, or report data reliably in accordance with the applicable criteria such that there is more than a remote likelihood that a misstatement of the County Officers' Statements that is more than inconsequential will not be prevented or detected by the County Officers' internal control. We consider the deficiencies described in the findings below to be significant deficiencies in internal control over reporting on the Statements:

- Inadequate Segregation Of Duties – Prothonotary.
- Bank Deposit Slips Were Not Validated – Prothonotary.
- Inadequate Stale Check Procedures – Prothonotary.

Independent Auditor's Report (Continued)

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the Statements will not be prevented or detected by the County Officers' internal control. Our consideration of the internal control over reporting on the Statements would not necessarily disclose all matters in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider the first two bulleted deficiencies to be material weaknesses.

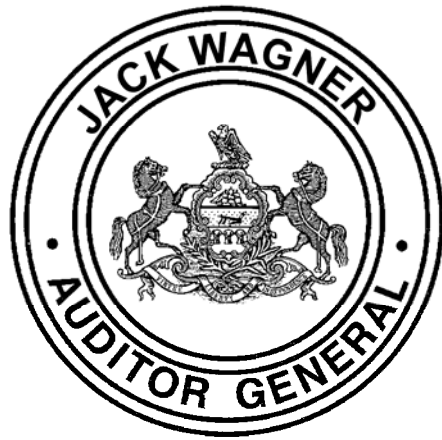
The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We are concerned in light of the Prothonotary's failure to correct previously reported findings regarding inadequate segregation of duties and inadequate stale check procedures. The Prothonotary should strive to implement the recommendations and corrective action noted in this examination report. During our current examination, we also noted a weakness in the internal controls over bank deposit slips that needs corrective action. These significant deficiencies increase the risk for funds to be lost, stolen, or misappropriated.

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 Officers and is not intended to be and should not be used by anyone other than these specified parties.

January 22, 2008

JACK WAGNER  
Auditor General



CLERK OF THE COURT OF COMMON PLEAS AND COLLECTIONS OFFICE  
 LYCOMING COUNTY  
 STATEMENT OF RECEIPTS AND DISBURSEMENTS  
 FOR THE PERIOD  
 JANUARY 1, 2003 TO DECEMBER 31, 2006

Receipts:

Department of Transportation		
Title 75 Fines	\$	228,261
Overweight Fines		1,815
Department of Revenue Court Costs		86,832
Crime Victims' Compensation Costs		288,584
Crime Commission Costs/Victim Witness Services Costs		215,713
Domestic Violence Costs		35,815
Emergency Medical Services Fines		43,604
DUI - ARD/EMS Fees		18,242
CAT/MCARE Fund Surcharges		187,591
Judicial Computer System/Access to Justice Fees		60,008
Offender Supervision Fees		794,564
Constable Service Surcharges		466
Criminal Laboratory Users' Fees		22,029
Probation and Parole Officers' Firearm Education Costs		20,511
Substance Abuse Education Costs		92,885
Office of Victims' Services Costs		26,065
Miscellaneous State Fines and Costs		<u>149,904</u>
 Total receipts (Note 2)		 \$ 2,272,889
 Disbursements to Commonwealth (Note 4)		 <u>(2,272,900)</u>
 Balance due Commonwealth (County) per settled reports (Note 5)		  (11)
 Examination adjustments		  <u>-</u>
 Adjusted balance due Commonwealth (County) for the period January 1, 2003 to December 31, 2006		  <u>\$ (11)</u>

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

PROTHONOTARY  
 LYCOMING COUNTY  
 STATEMENT OF RECEIPTS AND DISBURSEMENTS  
 FOR THE PERIOD  
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Receipts:

Writ Taxes	\$	4,144
Divorce Complaint Surcharges		15,800
Judicial Computer System/Access To Justice Fees		97,525
Protection From Abuse Surcharges and Contempt Fines		2,025
Criminal Charge Information System Fees		<u>3,732</u>
Total Receipts (Note 2)		123,226
Commissions (Note 3)		<u>(124)</u>
Net Receipts		123,102
Disbursements to Commonwealth (Note 4)		<u>(123,102)</u>
Balance due Commonwealth (County) per settled reports (Note 5)		-
Examination adjustments		<u>-</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2003 to December 31, 2006	\$	<u><u>-</u></u>

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



CLERK OF THE COURT OF COMMON PLEAS AND COLLECTIONS OFFICE/  
PROTHONOTARY  
LYCOMING COUNTY  
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
JANUARY 1, 2003 TO DECEMBER 31, 2006

1. Criteria

The Statements of Receipts and Disbursements (Statements) have been prepared in accordance with Section 401(b) of *The Fiscal Code*, 72 P.S. § 401(b), which requires the Department of the Auditor General to determine whether all money collected on behalf of the Commonwealth has been remitted properly and to provide the Pennsylvania Department of Revenue (Department of Revenue) with a report to enable them to settle an account covering any delinquency.

The Statements were prepared in accordance with reporting requirements prescribed by the 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

Clerk Of The Court Of Common Pleas And Collections Office

Receipts are comprised of fines, costs, fees, and surcharges collected on behalf of the Commonwealth. These fines, costs, fees, and surcharges represent collections made on summary and criminal cases filed with the Clerk of The Court of Common Pleas' Office.

Prothonotary

Receipts are comprised of taxes, surcharges, fees, and fines 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.

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2. Receipts (Continued)

Prothonotary (Continued)

- 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.
- 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.
- 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 \$5.00 for the period January 1, 2003 to December 31, 2004, \$6.00 for the period January 1, 2005 to December 31, 2005, and \$6.50 for the period January 1, 2006 to December 31, 2006. 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.

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 NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
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4. Disbursements

Clerk Of The Court Of Common Pleas And Collections Office

Total disbursements are comprised as follows:

Checks issued to:

Department of Revenue	\$ 2,190,897
Department of Public Welfare	50,763
Commonwealth of Pennsylvania	8,912
Fish and Boat Commission	150
Game Commission	2,397
Office of Attorney General	8,976
State Police	1,849
Higher Educational Assistance Agency	6,599
Bureau of Victims' Services	1,365
Department of Labor and Industry	525
Department of Corrections	179
Liquor Control Board	168
Department of Transportation	107
Bureau of Drug Control	13
	<hr/>
Total	<u><u>\$ 2,272,900</u></u>

Prothonotary

Total disbursements are comprised as follows:

Checks issued to:

Department of Revenue	\$ 119,370
Administrative Office of Pennsylvania Courts	3,732
	<hr/>
Total	<u><u>\$ 123,102</u></u>

CLERK OF THE COURT OF COMMON PLEAS AND COLLECTIONS OFFICE/  
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5. Balance Due Commonwealth (County) For The Period January 1, 2003 To December 31, 2006

Clerk Of The Court Of Common Pleas And Collections Office

This balance reflects a summary of monthly transmittal reports as settled by the Department of Revenue. This balance also reflects a summary of any receipts disbursed directly to other state agencies.

Prothonotary

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

6. County Officers Serving During Examination Period

William J. Burd served as the Clerk of the Court of Common Pleas/Prothonotary for the period January 1, 2003 to December 31, 2006.

Thomas D. Heap served as Supervisor of the Collections Office for the period January 1, 2003 to December 31, 2006.

PROTHONOTARY  
LYCOMING COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2003 TO DECEMBER 31, 2006

Finding No. 1 - Inadequate Segregation Of Duties - Prothonotary

Our audit revealed that the Prothonotary was responsible for performing the following functions:

- Opening mail.
- Reconciling collections to accounting records and/or receipts.
- Preparing deposit slips.
- Making deposits.
- Approving disbursements.
- Preparing and signing checks.
- Summarizing accounting records.

We also noted that the Prothonotary collected money and prepared receipts along with the rest of the staff.

A good system of internal control requires adequate segregation of duties.

One employee should not have custody of cash and at the same time maintain the accounting records for the cash. These duties should be segregated and rotated daily. As an alternative control, someone independent from maintaining the accounting records and handling cash should review the employee's work daily. The reviewer should sign and date the records and documents reviewed.

This condition existed because office personnel were not cross-trained. Additionally, duties involving the handling of cash and maintaining accounting records were not rotated daily.

Without adequate segregation of duties, the possibility of errors or irregularities occurring increases significantly.

This finding was cited in the prior audit for the period ending December 31, 2002.

PROTHONOTARY  
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Finding No. 1 - Inadequate Segregation Of Duties - Prothonotary (Continued)

Recommendation

We again recommend that the Prothonotary provide for greater segregation of duties within the office. This can be done by cross-training personnel and rotating job functions that include the handling of cash and maintaining the accounting records for the cash. As an alternative and/or additional control, someone independent from the handling of cash and the accounting records should review the employee's work at the end of each day. The reviewer should sign and date the records and documents reviewed.

Management's Response

The Prothonotary responded as follows:

I will always disagree with this finding. [The previous auditor] was the first to note this finding with the audit for the years of 2000 thru 2002. I have attached a copy of my 11/26/2004 response to [the previous auditor] with regards to this. (See next paragraph) The only change I would make to that response is that, since the 2004 audit, I was finally able to arrange for the County's Fiscal Services Department to reconcile my books and bank accounts on a monthly basis.

Response as noted for the audit ending December 31, 2002 and resubmitted by the Prothonotary for the current examination.

I disagree with this finding. I feel it is my responsibility as elected office holder to have control over the duties listed in this finding. An independent audit is also performed once a year by an outside agency contracted by the Commissioners. I have requested help with the duties dropped by the new Controller from, the Commissioners, the Treasurer and Fiscal Services, with no answer to me as yet. No discrepancies in this area were denoted in this audit – therefore, I will continue with the current procedures.

Auditor's Conclusion

The finding remains as stated. To ensure adequate internal control over the accounting system, we believe that the office should segregate accounting duties. We strongly recommend that the Prothonotary take all corrective action necessary to comply with all our recommendation. The failure to implement an adequate segregation of duties significantly increases the potential for funds to be lost, stolen, or misappropriated.

PROTHONOTARY  
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Finding No. 2 - Bank Deposit Slips Were Not Validated - Prothonotary

Our review of the Prothonotary's accounting records disclosed that there was no validated bank deposit slip maintained by the office. The Prothonotary's office received a validated receipt from the bank, but this only confirmed the total amount deposited and not the actual make up of the deposit (i.e. cash and check mix).

The Prothonotary's office was not aware of the potential internal control weaknesses caused by not having a validated deposit slip.

Good internal accounting controls require that the deposit slip should identify the total amount of cash and total amount of checks deposited. The office copy of each deposit should be brought to the bank to be validated.

Without a good system of internal controls over the bank accounts, the potential is increased that funds could be lost, stolen, or misappropriated.

Recommendation

We recommend that the Prothonotary's office secure the bank's validation on the office copy of the deposit slip.

Management's Response

The Prothonotary responded as follows:

It was suggested by [the Current auditor] to purchase deposit slips that generated a duplicate. Since I already had a large supply of slips that do not generate a duplicate, I suggested to him that a photocopy of all daily deposit slips could be made, and then same could be validated by my bank. He approved this, and I initiated same in early December 2007.

PROTHONOTARY  
LYCOMING COUNTY  
FINDINGS AND RECOMMENDATIONS  
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Finding No. 3 - Inadequate Stale Check Procedures - Prothonotary

Our examination of the office checking account disclosed that the office was carrying 36 outstanding checks totaling \$8,089 dated from January 16, 1990 to May 26, 2006 that were still outstanding as of December 31, 2006.

The office did not take appropriate follow-up action on long outstanding checks.

Good internal accounting controls require that the office follow-up on all stale checks. If a check is outstanding for over 90 days, efforts should be made to locate the payee. If efforts to locate the payee are unsuccessful, the amount of the check should be removed from the outstanding checklist, added back to the checkbook balance, and subsequently held in escrow for unclaimed escheatable funds.

The failure to follow these procedures results in a weakening of internal controls over the cash account and inefficiency caused by the needless record-keeping of stale checks.

This condition existed because the office failed to establish adequate internal controls over its outstanding check procedures.

This finding was cited in our last three audit periods, the most recent ending December 31, 2002.

Recommendation

We again recommend that the office establish and implement a procedure whereby outstanding checks are reviewed monthly to determine if there are any long outstanding checks. If checks remain outstanding and attempts to contact payees after 90 days are unsuccessful, the office should reinstate the amount of stale checks to the checking account and subsequently hold these monies in escrow for unclaimed escheatable funds.

Management's Response

The Prothonotary responded as follows:

This finding was also noted by [the previous auditor] with the last audit. Shortly after [the previous auditor] noted this finding in 2004, I stopped payment on the (28) stale checks that existed at the time of the audit. I also attempted to make contact with each of these (28) entities. And subsequently reissued checks to almost half of them. There are several new stale checks since the last audit that I must handle in the same way. When that is completed, I will escheat the remaining funds.



PROTHONOTARY  
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Finding No. 3 - Inadequate Stale Check Procedures – Prothonotary (Continued)

Auditor's Conclusion

We acknowledge that the Prothonotary stopped payment on 28 checks as a result of our finding in the prior audit. However, we stand by our recommendation that if checks remain outstanding and attempts to contact payees after 90 days are unsuccessful, the office should reinstate the amount of stale checks to the checking account and subsequently hold these monies in escrow for unclaimed escheatable funds.

CLERK OF THE COURT OF COMMON PLEAS AND COLLECTIONS OFFICE/  
PROTHONOTARY  
LYCOMING COUNTY  
COMMENT  
FOR THE PERIOD  
JANUARY 1, 2003 TO DECEMBER 31, 2006

Comment - Compliance With Prior Audit Recommendations

During our prior audit, we made the following recommendations:

- That the Clerk of the Court of Common Pleas and Collections Office ensure that fines, costs, fees, and surcharges are assessed, collected, and disbursed as mandated by law.
- That the Prothonotary assess Jen and Dave fees on all custody filings regardless of whether the custody is sought as a custody complaint, a count in a divorce action, or a count in a divorce counter complaint.
- That the Prothonotary assess Judicial Computer System/Access to Justice System Fees for each count contained in a divorce complaint.

During our current examination, we noted that the office complied with our recommendations.

CLERK OF THE COURT OF COMMON PLEAS AND COLLECTIONS OFFICE/  
PROTHONOTARY  
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REPORT DISTRIBUTION  
FOR THE PERIOD  
JANUARY 1, 2003 TO DECEMBER 31, 2006

This report was initially distributed to:

The Honorable Thomas W. Wolf  
Secretary  
Pennsylvania Department of Revenue

The Honorable Zygmunt Pines  
Court Administrator of Pennsylvania  
Supreme Court of Pennsylvania  
Administrative Office of Pennsylvania Courts

Mr. Thomas J. Dougherty  
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Pennsylvania Board of Probation and Parole  
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Clerk of the Court of Common Pleas/Prothonotary  
Lycoming County  
Lycoming County Courthouse  
48 West Third Street  
Williamsport, PA 17701

The Honorable Rebecca A. Burke      Chairperson of the Board of Commissioners

The Honorable William J. Burd      Clerk of The Court of Common Pleas/Prothonotary

The Honorable Krista B. Rogers      Controller

Mr. Thomas D. Heap      Supervisor of the Collections Office

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. To view this report online or to contact the Department of the Auditor General, please access our web site at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us).