

ATTESTATION ENGAGEMENT

Clerk of the Court of Common Pleas/Prothonotary Venango County, Pennsylvania For the Period January 1, 2013 to December 31, 2016

November 2017



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 C. Daniel Hassell
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/Prothonotary, Venango County, Pennsylvania (County Officer), for the period January 1, 2013 to December 31, 2016, 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 Offices' management is responsible for presenting these statements in accordance with the criteria set forth in Note 1. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Statements are presented in accordance with the criteria described above, in all material respects. An examination involves performing procedures to obtain evidence about the statements of receipts and disbursements. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material misstatement of the Statements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide 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, for the period January 1, 2013 to December 31, 2016, are presented in accordance with the criteria set forth in Note 1, in all material respects.

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 Statements; 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 Statements. 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 Statements are presented in accordance with the criteria described above and not for the purpose of expressing an opinion on internal control over reporting on the Statements or on compliance and other matters; accordingly, we express no such opinions.

Our consideration of internal control over reporting on the Statements was for the limited purpose of expressing an opinion on whether the Statements are presented in accordance with the criteria described above and was not designed to identify all deficiencies in internal control over reporting on the Statements 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 Statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies listed below to be material weaknesses.

- Inadequate Internal Controls Over The Bank Account - Clerk Of Court Of Common Pleas/Prothonotary - Recurring.
- Inadequate Segregation Of Duties.

As part of obtaining reasonable assurance about whether the Statements are 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Independent Auditor's Report (Continued)

The first examination finding contained in this report cites conditions that existed in the operation of the County Offices during the previous engagement period and were not corrected during the current examination period. The County Offices should strive to implement the recommendations and corrective actions noted in this report.

The purpose of this report is to determine whether all moneys collected on behalf of the Commonwealth have been correctly assessed, reported and promptly remitted. This report is not suitable for any other purposes.

We appreciate the courtesy extended by the Clerk of the Court of Common Pleas/Prothonotary, Venango 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

November 2, 2017

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CLERK OF THE COURT OF COMMON PLEAS
VENANGO COUNTY
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2016

Receipts:

Department of Transportation		
Title 75 Fines	\$	156,056
Overweight Fines		3,900
Department of Revenue Court Costs		44,633
Crime Victims' Compensation Costs		85,391
Crime Commission Costs/Victim Witness Services Costs		57,230
Domestic Violence Costs		12,589
Emergency Medical Services Fines		9,008
DUI - ARD/EMS Fees		11,525
CAT/MCARE Fund Surcharges		45,380
Judicial Computer System/Access to Justice Fees		63,280
Constable Service Surcharges		237
Criminal Laboratory Users' Fees		55,228
Probation and Parole Officers' Firearm Education Costs		8,924
Substance Abuse Education Costs		63,212
Office of Victims' Services Costs		42,629
Miscellaneous State Fines and Costs		<u>263,696</u>
 Total receipts (Note 2)		 922,918
 Disbursements to Commonwealth (Note 4)		 <u>(922,968)</u>
 Balance due Commonwealth (County) per settled reports (Note 5)		 (50)
 Examination adjustments (Note 6)		 <u>50</u>
 Adjusted balance due Commonwealth (County) for the period January 1, 2013 to December 31, 2016	 \$	 <u><u>-</u></u>

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

PROTHONOTARY
VENANGO COUNTY
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2016

Receipts:

Writ Taxes	\$	1,725
Divorce Complaint Surcharges		6,415
Judicial Computer System/Access To Justice Fees		138,836
Protection From Abuse Surcharges and Contempt Fines		2,204
Criminal Charge Information System Fees		<u>2,529</u>
Total Receipts (Note 2)		151,709
Commissions (Note 3)		<u>(52)</u>
Net Receipts		151,657
Disbursements to Commonwealth (Note 4)		<u>(151,657)</u>
Balance due Commonwealth (County) per settled reports (Note 5)		-
Examination adjustments		<u>-</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2013 to December 31, 2016	\$	<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/
PROTHONOTARY
VENANGO COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2016

1. Criteria

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

The Statements were 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

Clerk Of The Court Of Common Pleas

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.
- Judicial Computer System/Access To Justice Fees represent a \$23.50 fee imposed for the filing of any legal paper to initiate a civil action or proceeding. Effective July 10, 2014, Act 126 increased the fee to \$33.50. Effective August 8, 2014, Act 113 increased the fee to \$35.50.

CLERK OF THE COURT OF COMMON PLEAS/
PROTHONOTARY
VENANGO COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2016

2. Receipts (Continued)

Prothonotary (Continued)

- Protection From Abuse Surcharges represent a \$100 surcharge imposed against defendants when a protection order is granted as a result of a hearing. Protection From Abuse Contempt Fines represent fines of not less than \$300 nor more than \$1,000 imposed against a defendant who is found to be in violation of a protection from abuse order.
- 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, 2014. The fee was increased to \$8.00 for the period January 1, 2015 to December 31, 2016. 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.

CLERK OF THE COURT OF COMMON PLEAS/
 PROTHONOTARY
 VENANGO COUNTY
 NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 JANUARY 1, 2013 TO DECEMBER 31, 2016

4. Disbursements

Clerk Of The Court Of Common Pleas

Total disbursements are comprised as follows:

Clerk of the Court checks issued to:

Department of Revenue	\$ 912,383
Game Commission	2,000
State Police	50
Board of Probation and Parole	283
Department of Environmental Protection	4,018
Department of General Services	466
Department of Transportation	2,340
Department of Public Welfare	1,363
Office of Inspector General	65

Total	\$ 922,968
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Prothonotary

Total disbursements are comprised as follows:

Prothonotary checks issued to:

Department of Revenue	\$ 149,128
Adminstrative Office of Pennsylvania Courts	2,529

Total	\$ 151,657
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CLERK OF THE COURT OF COMMON PLEAS/
PROTHONOTARY
VENANGO COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2016

5. Balance Due Commonwealth (County) For The Period January 1, 2013 To December 31, 2016 (Continued)

Clerk Of The Court Of Common Pleas

This balance reflects a summary of monthly transmittal reports as settled by the Department of Revenue. The balance also reflects a summary of any receipts disbursed directly to other state agencies. It does not reflect adjustments disclosed by our examination. Refer to Note 6.

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. Examination Adjustment - Clerk of the Court of Common Pleas

During our prior examination, January 1, 2010 to December 31, 2012, we determined that there was a balance due to the Commonwealth of \$50. This balance due was paid to the Department of Revenue in October 2015.

7. County Officer Serving During Examination Period

Paula Palmer served as the Clerk of the Court of Common Pleas/Prothonotary for the period January 1, 2013 to December 31, 2016.

CLERK OF THE COURT OF COMMON PLEAS/
PROTHONOTARY
VENANGO COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2016

Finding No. 1 - Inadequate Internal Controls Over The Bank Accounts - Recurring

We cited the Office's inadequate internal controls over the bank accounts in the prior examination report for the period January 1, 2010 to December 31, 2012. Our current examination found that the office did not correct this issue.

Our examination of the accounting records for the office disclosed the following deficiencies in the internal controls over the bank accounts:

Clerk of Court of Common Pleas

- There was a \$1,030 difference between the adjusted bank balance and the adjusted book balance that is attributed to five long outstanding deposit adjustments dating back to 2008.
- There were 178 outstanding checks totaling \$21,262, dated from July 25, 2005 to June 28, 2016, which were still outstanding as of December 31, 2016.
- There was \$1,462 in escrow that was shown as unknown or unidentified.

Prothonotary

- There was inadequate accountability over funds held in escrow. Funds on hand exceeded recorded obligations by \$1,194.
- There was a \$1,350 difference between the adjusted bank balance and the adjusted book balance that could not be explained.
- There were 13 outstanding checks totaling \$371, dated from February 2, 2015 to May 2, 2016, which were still outstanding as of December 31, 2016.
- The office voided twenty (20) long outstanding checks totaling \$1,942 on March 2, 2016 with no reissuance or escheat as of December 31, 2016.

These conditions existed because the office failed to establish and implement an adequate system of internal controls over the bank accounts as recommended in our prior examination report.

CLERK OF THE COURT OF COMMON PLEAS/
PROTHONOTARY
VENANGO COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2016

Finding No. 1 - Inadequate Internal Controls Over The Bank Accounts - Recurring
(Continued)

A good system of internal controls ensures that:

- The ending adjusted bank balance is reconciled with the 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.
- The office periodically reviews the composition of the escrow accounts to ensure that all funds are properly accounted for and disbursed timely.
- The office follows-up on all outstanding checks. If a check is outstanding for a period over 180 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.

Without a good system of internal controls over the bank account and accurate accounting of funds, the possibility of funds being misidentified, lost or misappropriated increases significantly. Also, the failure to follow-up on outstanding checks procedures results in a weakening of internal controls over the cash account and inefficiency caused by the needless record-keeping of outstanding checks.

Recommendations

We strongly recommend that the office establish and implement an adequate system of internal controls over the bank account as noted above. We further recommend that the office establish and implement procedures 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 180 days are unsuccessful, the office should reinstate the amount of outstanding checks to the checking account and subsequently hold these monies in escrow for unclaimed escheatable funds.

CLERK OF THE COURT OF COMMON PLEAS/
PROTHONOTARY
VENANGO COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2016

Finding No. 1 - Inadequate Internal Controls over the Bank Account - Recurring
(Continued)

Management's Response

The County Officer responded as follows:

Clerk of Courts

- Balancing adjustment between bank and book balances were completed with the November 2017 bank reconciliation.
- As of October 2017, \$35,039.03 has been escheated to the County Treasurer. Outstanding checks went from 178 to 2 as of November 1, 2017.
- Outstanding or returned checks will be held for 180 days and then will be escheated.

Prothonotary

- The \$1,350 balancing adjustment between bank and book balance has been corrected and balances are continuing to be compared on a daily basis.
- The office only has 3 outstanding checks as of November 1, 2017. Outstanding or returned checks will be held for 180 days and then will be escheated.
- 12 of the 20 voided checks totaling \$1,475.47 have been escheated to the County Treasurer.
- The office holder now reviews banks reconciliations on a monthly basis.

Auditor's Conclusion

This is a recurring finding. It is imperative that the County Office take all steps necessary to comply with our recommendations. During our next examination, we will determine if the office complied with our recommendations.

CLERK OF THE COURT OF COMMON PLEAS/
PROTHONOTARY
VENANGO COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2016

Finding No. 2 - Inadequate Segregation of Duties

Our examination of the office of the Clerk of Court/Prothonotary disclosed that one employee was responsible for performing the following functions:

- Collecting cash, entering collection information into the computer system, and issuing receipts.
- Making voided transaction adjustments.
- Preparing deposit slips.
- Reconciling the bank account.
- Reconciling validated deposit slips to the accounting records.
- Reconciling collections to accounting records and/or receipts.
- Approving disbursements.
- Preparing checks.
- Summarizing accounting records.

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

In order to achieve adequate segregation of duties, one employee should not have total responsibility for cash operations and at the same time maintain the cash management accounting records. These duties should be segregated and rotated daily.

Without adequate segregation of duties, the possibility of funds being lost or misappropriated increases significantly.

This condition existed because of staff turnover with the senior employee assuming responsibility for all office operations to maintain procedural continuity.

CLERK OF THE COURT OF COMMON PLEAS/
PROTHONOTARY
VENANGO COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2016

Finding No. 2 - Inadequate Segregation of Duties (Continued)

Recommendations

We recommend that the Prothonotary/Clerk of Courts office provide for segregation of duties. This can be done by the cross-training of personnel and rotating cash management responsibilities. As an additional control, someone independent from the handling of cash and accounting records should review the employees work at the end of each day. The reviewer should sign and date the records and documents reviewed; reviewed documents should be maintained for examination.

Management's Response

The County Officer responded as follows:

- Daily balancing and deposits are being performed by the Civil Clerk and Second Deputy/Criminal – in the event of their absence the First Deputy will fill in.
- Deposits are taken to the bank by either the Civil or Criminal Clerk, rotated weekly.
- Teller validation slips are returned to the Prothonotary/Clerk of Courts for verification; slips and daily work sheets are initialed and dated.
- Void policy was reviewed and staff is to be cautious when taking credit card payments that they are on the correct payment screen. Staff is required to have secondary review before voiding. Voided receipt report is being reviewed on a monthly basis.

Auditor's Conclusion

We appreciate the County Officer's efforts to comply with our recommendations. During our next examination, we will determine if the County Officer complied with our recommendations.

CLERK OF THE COURT OF COMMON PLEAS/
PROTHONOTARY
VENANGO COUNTY
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2016

Summary of Prior Examination Recommendations

During our prior examination, we recommended that the office:

- Establish and implement an adequate system of internal controls over the bank account. We further recommended 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 the outstanding checks to the checking account, and subsequently hold these monies in escrow for unclaimed escheatable funds.

During our current examination, we noted that the office did not comply with our recommendations. Please see the current year finding number one for additional information.

CLERK OF THE COURT OF COMMON PLEAS/
PROTHONOTARY
VENANGO COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2016

This report was initially distributed to:

The Honorable C. Daniel Hassell
Secretary
Pennsylvania Department of Revenue

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

Mr. Thomas J. Dougherty
Director
Division of Grants and Standards
Pennsylvania Board of Probation and Parole

The Honorable Joseph M. Torsella
Pennsylvania State Treasurer

The Honorable Paula Palmer
Clerk of the Court of Common Pleas/Prothonotary

The Honorable Oliver J. Lobaugh
President Judge

The Honorable Timothy S. Brooks
Chairperson of the Board of Commissioners

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