

CLERK OF THE COURT OF COMMON PLEAS/PROTHONOTARY  
AND PROBATION/PAROLE DEPARTMENT

ELK COUNTY

EXAMINATION REPORT

FOR THE PERIOD

JANUARY 1, 2004 TO DECEMBER 31, 2007

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## Independent Auditor's Report

The Honorable Stephen H. Stetler  
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 and Probation/Parole Department, Elk County, Pennsylvania (County Officers), for the period January 1, 2004 to December 31, 2007, 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 office's 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*.

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, 2007, 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 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 Internal Controls Over Receipts - Probation/Parole Department.
- Segregation Of Duties - Probation/Parole Department.
- Bank Deposit Slips Were Not Validated - Prothonotary.
- Inadequate Outstanding Check Procedures - Probation/Parole Department.

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 three bulleted deficiencies to be material weaknesses.

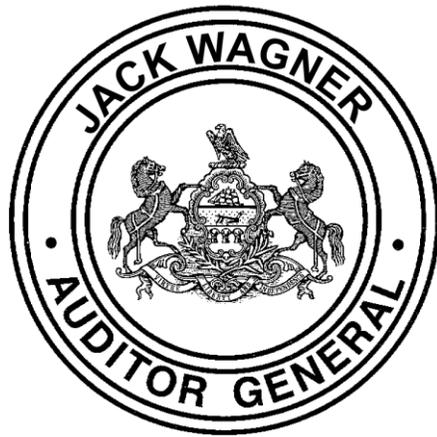
Independent Auditor's Report (Continued)

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

February 26, 2009

JACK WAGNER  
Auditor General



CLERK OF THE COURT OF COMMON PLEAS AND  
PROBATION/PAROLE DEPARTMENT  
ELK COUNTY  
STATEMENT OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
JANUARY 1, 2004 TO DECEMBER 31, 2007

Receipts:

Department of Transportation		
Title 75 Fines	\$	44,961
Overweight Fines		904
Department of Revenue Court Costs		17,646
Crime Victims' Compensation Costs		49,555
Crime Commission Costs/Victim Witness Services Costs		36,613
Domestic Violence Costs		5,135
Emergency Medical Services Fines		3,258
DUI - ARD/EMS Fees		7,242
CAT/MCARE Fund Surcharges		31,882
Judicial Computer System/Access to Justice Fees		8,201
Offender Supervision Fees		139,232
Criminal Laboratory Users' Fees		10,972
Probation and Parole Officers' Firearm Education Costs		4,456
Substance Abuse Education Costs		22,488
Department of Environmental Protection Costs		789
Office of Attorney General Costs		2,516
State Police Costs		2,277
Department of Treasury Costs		4,037
Office of Inspector General Costs		610
Office of Victims' Services Costs		14,255
Miscellaneous State Fines and Costs		<u>10,980</u>
 Total receipts (Note 2)	 \$	 418,009
 Disbursements to Commonwealth (Note 4)		 <u>(418,009)</u>
 Balance due Commonwealth (County) per settled reports (Note 5)		  -
 Examination adjustment (Note 6)		  <u>500</u>
 Adjusted balance due Commonwealth (County) January 1, 2004 to December 31, 2007		  <u><u>\$ 500</u></u>

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

PROTHONOTARY  
ELK COUNTY  
STATEMENT OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
JANUARY 1, 2004 TO DECEMBER 31, 2007

Receipts:

Writ Taxes	\$ 2,730
Divorce Complaint Surcharges	3,470
Judicial Computer System/Access To Justice Fees	32,254
Protection From Abuse Surcharges and Contempt Fines	2,195
Criminal Charge Information System Fees	<u>1,371</u>
Total Receipts (Note 2)	42,020
Commissions (Note 3)	<u>(82)</u>
Net Receipts	41,938
Disbursements to Commonwealth (Note 4)	<u>(41,937)</u>
Balance due Commonwealth (County) per settled reports (Note 5)	1
Examination adjustments	<u>-</u>
Adjusted balance due Commonwealth (County) January 1, 2004 to December 31, 2007	<u><u>\$ 1</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 AND  
PROBATION/PAROLE DEPARTMENT  
ELK COUNTY  
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
JANUARY 1, 2004 TO DECEMBER 31, 2007

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 And Probation/Parole Department

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 \$10 fee imposed for the filing of any legal paper to initiate a civil action or proceeding.

CLERK OF THE COURT OF COMMON PLEAS/PROTHONOTARY AND  
PROBATION/PAROLE DEPARTMENT  
ELK COUNTY  
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
JANUARY 1, 2004 TO DECEMBER 31, 2007

2. Receipts (Continued)

Prothonotary (Continued)

- 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, 2007. 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 AND  
 PROBATION/PAROLE DEPARTMENT  
 ELK COUNTY  
 NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
 FOR THE PERIOD  
 JANUARY 1, 2004 TO DECEMBER 31, 2007

4. Disbursements

Clerk Of The Court Of Common Pleas And Probation/Parole Department

Total disbursements are comprised as follows:

Probation/Parole Department checks issued to:

Department of Revenue	\$	407,254
Department of Environmental Protection		789
Office of Attorney General		2,516
State Police		2,277
Office of Inspector General		610
Department of Treasury		4,037
Office of Victims' Services		276
Department of Public Welfare		250
Total	\$	418,009

Prothonotary

Total disbursements are comprised as follows:

Prothonotary checks issued to:

Department of Revenue	\$	40,566
Adminstrative Office of Pennsylvania Courts		1,371
Total	\$	41,937

CLERK OF THE COURT OF COMMON PLEAS/PROTHONOTARY AND  
PROBATION/PAROLE DEPARTMENT  
ELK COUNTY  
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
JANUARY 1, 2004 TO DECEMBER 31, 2007

5. Balance Due Commonwealth (County) For The Period January 1, 2004 To December 31, 2007

Clerk Of The Court Of Common Pleas And Probation/Parole Department

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 And Probation/Parole Department

Amount represents bail forfeiture due the Commonwealth on Case No. CP-24-MD-14-2006, which was incorrectly remitted to Elk County in March 2006.

7. County Officers Serving During Examination Period

David A. Frey served as the Clerk of the Court of Common Pleas/Prothonotary for the period January 1, 2004 to December 31, 2007.

Andrew J. Hathorn served as Chief Probation Officer of the Probation/Parole Department for the period January 1, 2004 to December 31, 2007.

PROBATION/PAROLE DEPARTMENT  
ELK COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2004 TO DECEMBER 31, 2007

Finding No. 1 - Inadequate Internal Controls Over Receipts - Probation/Parole Department

In the Elk County Probation/Parole Office, manual receipts are issued for all collections and then are officially receipted through the computer system. Our examination disclosed significant internal control procedures over receipts. These weaknesses included the following:

- A copy of the receipt was not given to the defendant for payments paid by check. The office stated that the cancelled check served as a receipt for the defendant.
- Manual receipt dates were sometimes changed to correspond with either the day of the subsequent deposit or to the date that the computer-generated receipt was recorded. There were 14 manual receipts tested in which the original date of the manual receipt was changed to either the day of the subsequent deposit or to the date that the computer-generated receipt was recorded.
- Only one individual reconciled the daily receipts and made the deposit. See Finding No. 2. If this person was not working, the cash portion of the deposit would not be made. There were times during the examination period that this individual would be off and no cash deposit would be made during that period of time.
- There were 12 instances in which the computer receipt was not generated timely after the issuance of the corresponding manual receipt. The time lapse from the date of the manual receipt to the corresponding computer receipt ranged from two days to eight days.
- Of 54 receipts tested, 17 were not deposited on the same day as collected. The time lapse from the date of receipt to the subsequent date of deposit ranged from two days to eight days.

These conditions existed because the county office failed to establish and implement an adequate system of internal controls over receipts.

Good internal accounting controls over receipts ensure that:

- Receipts are given to defendants for all payments.
- Manual receipt dates are never changed and should also reflect the date of collection.

PROBATION/PAROLE DEPARTMENT  
ELK COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2004 TO DECEMBER 31, 2007

Finding No. 1 - Inadequate Internal Controls Over Receipts - Probation/Parole Department  
(Continued)

- More than one individual should be involved in the process of reconciling receipts and making deposits so that these deposits are made at the end of each day.
- Computer receipts are generated timely after the issuance of the corresponding manual receipts.
- All monies collected are deposited in the bank at the end of every day.

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

Recommendation

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

Management's Response

The Chief Probation Officer responded as follows:

Elk County Probation will attempt to address the findings. We will do our best considering our staff limitations to make the suggested procedural changes listed in Finding No. 1 and Finding No. 2.

Auditor's Conclusion

Although we recognize the concerns regarding staff limitations, these procedures need to be implemented to help curtail the possibility of funds being lost or misappropriated.

PROBATION/PAROLE DEPARTMENT  
ELK COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2004 TO DECEMBER 31, 2007

Finding No. 2 - Inadequate Segregation Of Duties - Probation/Parole Department

Our examination disclosed that one employee in the office was responsible for performing the following functions:

- Opening mail.
- Collecting cash, entering collection information into the computer system, and issuing receipts.
- Preparing deposit slips.
- Posting disbursements to the disbursement journal.
- Reconciling the bank account.
- 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 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.

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

Recommendation

We recommend that the county office 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, making voided transaction adjustments, monitoring follow-up procedures on citations, 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.

PROBATION/PAROLE DEPARTMENT  
ELK COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2004 TO DECEMBER 31, 2007

Finding No. 2 - Inadequate Segregation Of Duties - Probation/Parole Department (Continued)

Management's Response

The Chief Probation Officer responded as follows:

Elk County Probation will attempt to address the findings. We will do our best considering our staff limitations to make the suggested procedural changes listed in Finding No. 1 and Finding No. 2.

Auditor's Conclusion

Although we recognize the concerns regarding staff limitations, these procedures need to be implemented to reduce the possibility of funds being lost or misappropriated.

PROTHONOTARY  
ELK COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2004 TO DECEMBER 31, 2007

Finding No. 3 - Bank Deposit Slips Were Not Validated - Prothonotary

Our review of the Prothonotary's accounting records disclosed that the office copy of the bank deposit slip was not validated by the bank. The 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 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 each check and the total amount of cash deposited. The office copy of each deposit should be brought to the bank to be validated.

The failure to follow these procedures leads to a lack of internal control over bank accounts and could increase the potential for misappropriation.

Recommendation

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

Management's Response

No formal response was offered at this time.

PROBATION/PAROLE DEPARTMENT  
ELK COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2004 TO DECEMBER 31, 2007

Finding No. 4 - Inadequate Outstanding Check Procedures - Probation/Parole Department

Our examination of the office checking account disclosed that the office was carrying 90 outstanding checks totaling \$4,703, dated from May 19, 2004 to May 21, 2007, that were still outstanding as of December 31, 2007.

Good internal accounting controls ensure that the office follow-up on all outstanding checks. If a check is outstanding for a period 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.

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

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 outstanding checks.

Recommendation

We 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 outstanding checks to the checking account and subsequently hold these monies in escrow for unclaimed escheatable funds.

Management's Response

No formal response was offered at this time.

CLERK OF THE COURT OF COMMON PLEAS/PROTHONOTARY AND  
PROBATION/PAROLE DEPARTMENT  
ELK COUNTY  
REPORT DISTRIBUTION  
FOR THE PERIOD  
JANUARY 1, 2004 TO DECEMBER 31, 2007

This report was initially distributed to:

The Honorable Stephen H. Stetler  
Secretary  
Pennsylvania Department of Revenue

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

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The Honorable Robert M. McCord	Pennsylvania State Treasurer
The Honorable David A. Frey	Clerk of the Court of Common Pleas/Prothonotary
Mr. Andrew J. Hathorn	Chief Probation Officer
The Honorable Daniel Freeburg	Chairman of the Board of Commissioners

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