



CLERK OF THE COURT OF COMMON PLEAS AND
DEPARTMENT OF PROBATION SERVICES

LUZERNE COUNTY

EXAMINATION REPORT

FOR THE PERIOD

JANUARY 1, 2002 TO DECEMBER 4, 2005

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Independent Auditor's Report

The Honorable Gregory C. Fajt
Secretary
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 Department of Probation Services, Luzerne County, Pennsylvania (County Officers), for the period January 1, 2002 to December 4, 2005, pursuant to the requirements of Sections 401(b) and 902 of *The Fiscal Code*. 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 reported and promptly transmitted. *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 Department of Revenue and other state agencies for the period ended December 4, 2005, in conformity with the criteria set forth in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of 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 the Statements or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed a certain finding that is required to be reported under *Government Auditing Standards* and this finding, along with the views of management, is described in the Finding and Recommendation section of the report.

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.

October 17, 2006

JACK WAGNER
Auditor General

CLERK OF THE COURT OF COMMON PLEAS AND
DEPARTMENT OF PROBATION SERVICES
LUZERNE COUNTY
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2002 TO DECEMBER 4, 2005

Receipts:

Department of Transportation		
Title 75 Fines	\$	211,082
Overweight Fines		9,276
Department of Revenue Court Costs		192,198
Crime Victims' Compensation Costs		194,372
Crime Commission Costs/Victim Witness Services Costs		165,526
Domestic Violence Costs		63,673
Emergency Medical Services Fines		48,824
DUI - ARD/EMS Fees		49,486
CAT/MCARE Fund Surcharges		326,535
Judicial Computer System/Access to Justice Fees		55,290
Offender Supervision Fees		1,932,965
Constable Service Surcharges		2
Criminal Laboratory Users' Fees		145,262
Probation and Parole Officers' Firearm Education Costs		26,919
Substance Abuse Education Costs		80,250
Office of Victims' Services Costs		2,810
Miscellaneous State Fines and Costs		294,970
Interest Earned on Commonwealth Funds		<u>1,184</u>
 Total receipts (Note 2)	 \$	 3,800,624
 Disbursements and credits to Department of Revenue (Note 3)		 <u>(3,802,378)</u>
 Balance due Department of Revenue (County) per settled reports (Note 4)		 (1,754)
 Examination adjustments		 <u>-</u>
 Adjusted balance due Department of Revenue (County) for the period January 1, 2002 to December 4, 2005	 \$	 <u><u>(1,754)</u></u>

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

DEPARTMENT OF PROBATION SERVICES
 LUZERNE COUNTY
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 JANUARY 1, 2002 TO DECEMBER 4, 2005

Receipts:

Office of Attorney General Costs	\$	12,777
State Police Costs		5,650
Office of Inspector General Costs		105
Bureau of Victims Services Costs		251
Department of Labor and Industry Costs		1,850
Department of Revenue Costs		1,000
Higher Education Assistance Association Costs		1,575
Department of Corrections Costs		1,143
Liquor Control Board Costs		65
Department of Environmental Protection Costs		55
Department of Transportation Costs		<u>215</u>
 Total receipts (Note 2)	 \$	 24,686
 Disbursements to Commonwealth (Note 3)		 <u>(24,686)</u>
 Balance due Commonwealth (County)		 -
 Examination adjustments		 <u>-</u>
 Adjusted balance due Commonwealth (County) for the period January 1, 2002 to December 4, 2005	 \$	 <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
DEPARTMENT OF PROBATION SERVICES
LUZERNE COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2002 TO DECEMBER 4, 2005

1. Criteria

The Statements of Receipts and Disbursements (Statements) have been prepared in accordance with Title 72 P.S. Section 401 (b) of *The Fiscal Code*, 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 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 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 are comprised of fines, costs, fees, and surcharges collected on behalf of the Department of Revenue and other state agencies. 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.

3. Disbursements And Credits

Clerk Of The Court Of Common Pleas

Total disbursements and credits are comprised as follows:

Clerk of The Court checks issued to Department of Revenue	\$ 1,369,757
Adult Probation Department checks remitted by the Clerk of The Court to the Department of Revenue	442,391
Juvenile Probation Department checks remitted by the Clerk of The Court to the Department of Revenue	50,629
Luzerne County Treasurer checks remitted by the Clerk of The Court to the Department of Revenue	1,932,965
Credit taken on the current audit for the prior audit period:	
January 1, 1998 to December 31, 2001	6,636
Total	<u>\$ 3,802,378</u>

CLERK OF THE COURT OF COMMON PLEAS AND
DEPARTMENT OF PROBATION SERVICES
LUZERNE COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2002 TO DECEMBER 4, 2005

3. Disbursements And Credits (Continued)

Department Of Probation Services

Total disbursements are comprised as follows:

Department of Probation Services checks issued to:

Office of Attorney General	\$ 12,777
State Police	5,650
Office of Inspector General	105
Bureau of Victims Services	251
Department of Labor and Industry	1,850
Department of Revenue	1,000
Pennsylvania Higher Education Assistance Association	1,575
Department of Corrections	1,143
Liquor Control Board	65
Department of Environmental Protection	55
Department of Transportation	215
Total	<u>\$ 24,686</u>

4. Balance Due Department Of Revenue (County) For The Period January 1, 2002 To December 4, 2005

This balance reflects a summary of monthly transmittal reports as settled by the Department of Revenue (see Note 5).

CLERK OF THE COURT OF COMMON PLEAS AND
DEPARTMENT OF PROBATION SERVICES
LUZERNE COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2002 TO DECEMBER 4, 2005

5. Reconciliation Of Settled Reports

Date of Summary of Collections Report	Balance Due Settled Reports Dept. of Revenue (County)	Adjustments	Adjusted Balance Due Dept. of Revenue (County)
2002			
January	\$ (97)	\$ -	\$ (97)
February	(126)	-	(126)
March	(1,328)	-	(1,328)
April	(86)	-	(86)
May	(12)	-	(12)
June	(35)	-	(35)
July	-	-	-
August	(30)	-	(30)
September	-	-	-
October	(100)	-	(100)
November	-	-	-
December	-	-	-
2003			
January	(6,620)	-	(6,620)
February	-	-	-
March	-	-	-
April	13,273	(6,636) *	6,637
May	-	-	-
June	-	-	-
July	-	-	-
August	-	-	-
September	-	-	-
October	-	-	-
November	(12)	-	(12)
December	-	-	-

CLERK OF THE COURT OF COMMON PLEAS AND
DEPARTMENT OF PROBATION SERVICES
LUZERNE COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2002 TO DECEMBER 4, 2005

5. Reconciliation Of Settled Reports (Continued)

Date of Summary of Collections Report	Balance Due Settled Reports Dept. of Revenue (County)	Adjustments	Adjusted Balance Due Dept. of Revenue (County)
2004			
January	\$ (20)	\$ -	\$ (20)
February	(20)	-	(20)
March	(20)	-	(20)
April	(20)	-	(20)
May	(290)	-	(290)
June	-	-	-
July	(40)	-	(40)
August	(20)	-	(20)
September	23	-	23
October	(23)	-	(23)
November	-	-	-
December	-	-	-
2005			
January	-	-	-
February	485	-	485
March	-	-	-
April	-	-	-
May	-	-	-
June	-	-	-
July	-	-	-
August	-	-	-
September	-	-	-
October	-	-	-
November	-	-	-
Balance due Department of Revenue (County) per settled reports			(1,754)
Examination adjustments			-
Adjusted balance due Department of Revenue (County) for the period January 1, 2002 To December 4, 2005			\$ (1,754)

* - Amount represents a prior audit credit for the period January 1, 1998 to December 31, 2001.

CLERK OF THE COURT OF COMMON PLEAS AND
DEPARTMENT OF PROBATION SERVICES
LUZERNE COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
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6. County Officers Serving During Examination Period

Robert F. Reilly served as the Clerk of The Court of Common Pleas for the period January 1, 2002 to December 4, 2005.

Paul McGarry served as Director of Department of Probation Services for the period January 1, 2002 to December 4, 2005.

DEPARTMENT OF PROBATION SERVICES
LUZERNE COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2002 TO DECEMBER 4, 2005

Finding - Inadequate Internal Controls Over The Bank Accounts - Department Of Probation Services

The Department of Probation Services (Department) consists of an Adult Probation Department and a Juvenile Probation Department. The Department maintained the following four accounts during the examination period:

- Adult Probation Department Restitution (Restitution) account.
- Adult Probation Department Supervision Fee (Supervision Fee) account.
- Adult Probation Department Special (Special) account.
- Juvenile Probation Department (Juvenile) account.

Our review of the accounting records for the Department disclosed the following deficiencies in the internal controls over the Restitution, Supervision Fee, and Juvenile accounts:

- Beginning January 2004, bank reconciliations were not properly prepared for the Restitution and Juvenile accounts.
- Although the Restitution account was no longer utilized after December 2005 for the deposit and disbursement of restitution, there was a bank balance of \$26,532 as of July 2006. Because monthly bank reconciliations were not performed, several deposit errors were made to the Restitution account when they should have been deposited into the Supervision Fee account and vice versa. The net effect of the deposit errors indicated that \$3,354 more was deposited into the Restitution account than should have been. These errors were not detected in a timely fashion. As a result, these errors were part of a shortage of approximately \$11,000 in the Supervision Fee account. The remaining balance of the shortage could not be determined. Money from the Special account was transferred to the Supervision Fee account to cover the difference. The restitution account is no longer used.
- There was no adequate accountability over undisbursed funds.
- A running balance was not maintained in the check register.

DEPARTMENT OF PROBATION SERVICES
LUZERNE COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
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Finding - Inadequate Internal Controls Over The Bank Accounts - Department Of Probation Services (Continued)

- There were no adequate stale check procedures. The office did not maintain an accurate list of outstanding checks in the Restitution and Juvenile accounts.

These conditions existed because the Department failed to establish adequate internal controls over its bank accounts.

A good system of internal accounting controls ensures that:

- Bank reconciliations are prepared accurately and on a monthly basis.
- The ending adjusted bank balance is reconciled with liabilities on a monthly basis and any discrepancies are immediately investigated and resolved. Since the bank account of the office is essentially an escrow account on behalf of the Commonwealth, County, and other participating entities, all available cash on hand should equal unpaid obligations.
- Adequate procedures are established to follow-up on all stale checks. If a check is outstanding for a period of 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.
- A running balance is maintained in the check register.

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

Recommendation

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

DEPARTMENT OF PROBATION SERVICES
LUZERNE COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2002 TO DECEMBER 4, 2005

Finding - Inadequate Internal Controls Over The Bank Accounts - Department Of Probation Services (Continued)

Management's Response

The Director of the Department of Probation Services responded as follows:

This is to inform all concerned parties that effective November 2006, the years of 2004 and 2005 are currently being reconciled by the firm of Zavata & Associates.

Auditor's Conclusion

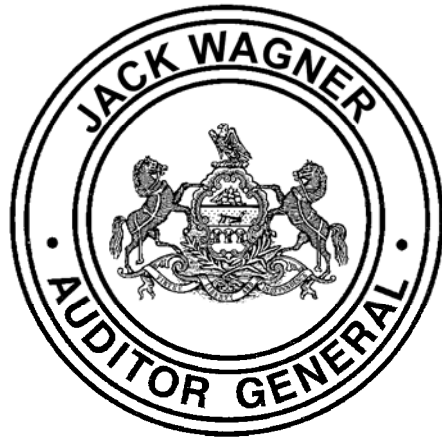
We appreciate the officeholder's effort to reconcile the bank account. We strongly recommend that the officeholder take all corrective actions necessary to comply with all our recommendations. The failure to implement the recommended procedures increases the potential for funds to be lost, stolen, or misappropriated.

CLERK OF THE COURT OF COMMON PLEAS
LUZERNE COUNTY
COMMENT
FOR THE PERIOD
JANUARY 1, 2002 TO DECEMBER 4, 2005

Comment - Compliance With Prior Audit Recommendation

During our prior audit, we recommended that the responsible Luzerne County Officials evaluate the physical environment and make the necessary changes which would improve the efficiency and maximize control of the Clerk of Court's office.

During our current examination, we noted the Clerk of Court complied with our recommendation.



CLERK OF THE COURT OF COMMON PLEAS AND
DEPARTMENT OF PROBATION SERVICES
LUZERNE COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2002 TO DECEMBER 4, 2005

This report was initially distributed to:

The Honorable Gregory C. Fajt
Secretary
Department of Revenue

Mr. Thomas J. Dougherty
Director
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The Honorable Zygmunt Pines
Court Administrator of Pennsylvania
Supreme Court of Pennsylvania
Administrative Office of Pennsylvania Courts

Clerk of The Court of Common Pleas
Luzerne County
Luzerne County Courthouse
200 North River Street
Wilkes-Barre, PA 18711

The Honorable Robert F. Reilly	Clerk of The Court of Common Pleas
The Honorable Maryanne Petrilla	Controller
The Honorable Gregory A. Skrepenak	Chairman of the Board
Mr. Paul McGarry	Director, Department of Probation Services

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