



**PROTHONOTARY
LUZERNE COUNTY
EXAMINATION REPORT
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2011**

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Independent Auditor's Report

The Honorable Daniel P. Meuser
Secretary
Pennsylvania Department of Revenue
Harrisburg, PA 17128

We have examined the accompanying statement of receipts and disbursements (Statement) of the Prothonotary, Luzerne County, Pennsylvania (County Officer), for the period January 1, 2010 to December 31, 2011, pursuant to the requirements of Sections 401(b) and 401(d) of *The Fiscal Code*, 72 P.S. § 401(b) and § 401(d). This Statement is the responsibility of the county office's management. 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. An examination includes 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*.

Independent Auditor's Report (Continued)

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, 2010 to December 31, 2011, 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 Statement 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 Statement is 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 Statement 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 Officer's 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 Officer's Statement that is more than inconsequential will not be prevented or detected by the County Officer's internal control. We consider the deficiencies described in the findings below to be significant deficiencies in internal control over reporting on the Statement:

- Inadequate Internal Controls Over The Computer System.
- Inadequate Accountability Over Funds Held In Escrow.
- Inadequate Internal Controls Over Receipts.
- Inadequate Internal Controls Over The Bank Account.
- Computer System Improperly Programmed To Disburse Divorce Complaint Surcharge And Protection From Abuse Surcharge.

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 Statement will not be prevented or detected by the County Officer's internal control. Our consideration of the internal control over reporting on the Statement 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, we believe that the significant deficiencies described above are 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 County Officer's failure to correct previously reported findings regarding inadequate internal controls over the computer system and receipts and inadequate accountability over funds held in escrow. Additionally, during our current examination, we noted internal control weaknesses over the bank account and the computer system was not programmed properly to disburse Divorce Complaint surcharges and Protection From Abuse surcharges. These significant deficiencies increase the risk for funds to be lost or misappropriated. Additionally, the Commonwealth did not receive all monies it was due. The County Officer should strive to implement the recommendations and corrective action noted in this examination 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 Officer and is not intended to be and should not be used by anyone other than these specified parties.



EUGENE A. DEPASQUALE
Auditor General

May 1, 2013

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PROTHONOTARY
 LUZERNE COUNTY
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 JANUARY 1, 2010 TO DECEMBER 31, 2011

Receipts:

Writ Taxes	\$	9,770
Divorce Complaint Surcharges		16,510
Judicial Computer System/Access To Justice Fees		425,777
Protection From Abuse Surcharges and Contempt Fines		2,533
Criminal Charge Information System Fees		<u>7,164</u>
Total Receipts (Note 2)		461,754
Commissions (Note 3)		<u>(293)</u>
Net Receipts		461,461
Disbursements to Commonwealth (Note 4)		<u>(461,461)</u>
Balance due Commonwealth (County) per settled reports (Note 5)		-
Examination adjustments (Exhibit 1)		<u>50</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2010 to December 31, 2011	\$	<u><u>50</u></u>

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

PROTHONOTARY
LUZERNE COUNTY
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2011

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
 LUZERNE COUNTY
 NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 JANUARY 1, 2010 TO DECEMBER 31, 2011

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 for the period January 1, 2008 to December 31, 2010 and \$7.50 for the period January 1, 2011 to December 31, 2012. 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	\$ 454,297
Adminstrative Office of Pennsylvania Courts	7,164

Total	\$ 461,461

5. Balance Due Commonwealth (County) For The Period January 1, 2010 To December 31, 2011

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.

PROTHONOTARY
LUZERNE COUNTY
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2011

6. County Officer Serving During Examination Period

Carolee Medico-Olenginski served as Prothonotary during the period January 1, 2010 to December 31, 2011.

PROTHONOTARY
 LUZERNE COUNTY
 EXHIBIT 1
 FOR THE PERIOD
 JANUARY 1, 2010 TO DECEMBER 31, 2011

Exhibit 1 - Schedule Of Reporting Errors And Examination Adjustments

<u>Case Number</u>	<u>Receipt Number</u>	<u>Receipt Date</u>	<u>Amount Due PSP</u>	<u>Amount Due DPW</u>	<u>Total Due Commonwealth</u>	<u>Comment</u>
04187-2010	2010-1-02624	4/6/2010	\$ 25.00	\$ 9.00	\$ 34.00	1
	2010-2-08584	8/6/2010	-	16.00	16.00	1
			<u>\$ 25.00</u>	<u>\$ 25.00</u>	<u>\$ 50.00</u>	

1 - Protection From Abuse Surcharge paid to Luzerne County in error.

PROTHONOTARY
LUZERNE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2011

Finding No. 1 – Recurring - Inadequate Internal Controls Over The Computer System

We cited the office's inadequate internal controls over the computer system in the prior office holder's last two examination reports, with the most recent for the period ending December 31, 2009. However, our current examination found that the prior office holder did not correct this issue.

Once again, our review of the computer system in use for the Prothonotary disclosed the following deficiencies in its operation:

- Total money received per day differed from one accounting report to the next. The reports were the "Daily Deposit Detail Report," "Deposit Summary Report," "Closed Cash Drawer Summary," and "Cash Drawer Reconciliation Report."
- All receipt numbers did not appear on the accounting record reports. This was because receipt numbers were assigned to non-monetary transactions, thereby causing the appearance of "missing" receipts.

These conditions existed because the prior office holder ignored our prior recommendation and failed to establish adequate internal controls over its computer system.

A good system of internal controls ensure that:

- Total money received each day is the same on all accounting record reports.
- Receipt numbers are only issued once and in strict numerical sequence for only monetary transactions.

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

This condition was cited in the two prior audit reports with the most recent for the period ending December 31, 2009.

Recommendation

We strongly recommend that the current office holder establish and implement an adequate system of internal controls over their computer system as noted above. The office's failure to maintain adequate control over their computer system increases the possibility of loss or theft of funds.

PROTHONOTARY
LUZERNE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2011

Finding No. 1 – Recurring - Inadequate Internal Controls Over The Computer System
(Continued)

Management's Response

No formal response was offered at this time.

Auditor's Conclusion

This is a recurring finding. We recognize that the current office holder has just been made aware of these issues. However, we strongly recommend that the office take all corrective actions necessary to comply with our recommendation.

PROTHONOTARY
LUZERNE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2011

Finding No. 2 – Recurring - Inadequate Accountability Over Funds Held In Escrow

We cited the office's inadequate accountability over funds held in escrow in the prior office holder's last three examination reports, with the most recent for the period ending December 31, 2009. However, our current examination found that the prior office holder did not correct this issue. Our current examination again disclosed that there was no accountability over undisbursed funds. There was an adjusted bank balance of \$158,944.58 without a corresponding liabilities report indicating to whom the monies are due as of December 31, 2011.

This condition existed because the prior office holder ignored our three prior audit recommendations and failed to establish and implement an adequate system of internal controls over funds held in escrow.

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 was cited in the three prior audit reports with the most recent for the period ending December 31, 2009.

Recommendation

We strongly recommend that the current office holder establish and implement an adequate system of internal controls over the funds held in escrow as noted above. The office's failure to maintain adequate accountability over funds held in escrow increases the possibility of loss or theft of funds.

PROTHONOTARY
LUZERNE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2011

Finding No. 2 – Recurring - Inadequate Accountability Over Funds Held In Escrow (Continued)

Management's Response

No formal response was offered at this time.

Auditor's Conclusion

This is a recurring finding. We recognize that the current office holder has just been made aware of these issues. However, we strongly recommend that the office take all corrective actions necessary to comply with our recommendation.

PROTHONOTARY
LUZERNE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2011

Finding No. 3 – Recurring - Inadequate Internal Controls Over Receipts

We cited the issue of receipts not being deposited timely in the prior office holder's last three examinations, with the most recent for the period ending December 31, 2009. However, our current examination found that the prior office holder did not correct this issue.

Our current examination revealed significant weaknesses in the internal controls over receipts. Of the 26 receipts tested, we noted the following:

- There were 17 receipts that 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 six days.
- The total days' collections, per the Daily Deposit Detail Report, for six receipts did not equal the total amount deposited.
 - Receipts in 3 deposits tested totaled \$655.50 greater than the associated deposit. The deposits ranged from \$18 to \$607.75 less than the amounts received.
 - Receipts in 3 deposits tested totaled \$98.50 less than the associated deposit. The deposits ranged from \$10 to \$49 more than the amounts received.

It should be noted that there were numerous weaknesses in the internal controls over the computer system that may have contributed to these deficiencies. See Finding No. 1.

However, based on the above testing, it appears monies due the Commonwealth were remitted to the Commonwealth.

These conditions existed because the prior office holder ignored our three prior audit recommendations and failed to establish adequate internal controls over its receipts.

A good system of internal controls ensures that:

- All monies received are properly recorded and deposited intact on the same day as collected.
- The mix of cash and checks collected is in agreement with the mix of cash and checks deposited.

PROTHONOTARY
LUZERNE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2011

Finding No. 3 – Recurring - Inadequate Internal Controls Over Receipts (Continued)

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

The condition of receipts not being deposited timely was cited in the three prior audits with the most recent for the period ending December 31, 2009.

Recommendation

We strongly recommend that the current office holder establish and implement an adequate system of internal controls over receipts as noted above. The office's failure to maintain adequate control over receipts increases the possibility of loss or theft of funds.

Management's Response

No formal response was offered at this time.

Auditor's Conclusion

This is a recurring finding. We recognize that the current office holder has just been made aware of these issues. However, we strongly recommend that the office take all corrective actions necessary to comply with our recommendation.

PROTHONOTARY
LUZERNE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2011

Finding No. 4 - Inadequate Internal Controls Over The Bank Account

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

- Bank reconciliations were not prepared properly.
- There was no running book balance available.

These conditions existed because the office failed to establish adequate internal controls over its bank account.

A good system of internal controls ensures that:

- Bank statements are reconciled to the book balance on a monthly basis.
- Running book balance is maintained.

Without a good system of internal controls over the bank account, 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 the bank account as noted above.

Management's Response

No formal response was offered at this time.

Auditor's Conclusion

This is a recurring finding. We strongly recommend that the office comply with our recommendation.

PROTHONOTARY
LUZERNE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2011

Finding No. 5 - Computer System Improperly Programmed To Disburse Divorce Complaint
Surcharge And Protection From Abuse Surcharge

Our examination disclosed that the Prothonotary's computer system was improperly programmed to disburse the Divorce Complaint Surcharge and Protection From Abuse (PFA) surcharge due the Commonwealth.

When there are extra counts in a divorce, the Judicial Computer System (Project)/Access To Justice Fee is assessed on each count and should be reported on the corresponding line item on the monthly report to Revenue. The computer system, however, was improperly programmed and incorrectly reported these fees on the Divorce Complaint Surcharge line item on the monthly report. There are no fees due the Commonwealth; however, we adjusted the statement of account to reflect the proper line item amounts to the Commonwealth.

There is a Protection from Abuse surcharge of \$100 assessed when a protection order is granted as a result of a hearing. The 1st \$25 is payable to the Commonwealth for the Pennsylvania State Police PFA registry program, the next \$50 to the County, and the last \$25 is payable to the Commonwealth for the DPW domestic violence program. The computer system was improperly programmed and distributed the surcharge either all to the County or the County was paid first on partial payments. Exhibit 1 lists the case that comprises the balance due of \$25 payable to the Commonwealth for the Pennsylvania State Police PFA registry program and \$25 payable to the Commonwealth for the DPW domestic violence program during the examination period.

Good internal controls ensure that software program fee assessments and disbursements are properly tested to ensure monies are disbursed properly. The improper disbursement of the Protection From Abuse surcharge resulted in the Commonwealth not receiving monies in which it was due. Additionally, the failure to disburse the Judicial Computer System (Project)/Access To Justice Fee properly results in overpayments and underpayments to the fund accounts.

The office was unaware that the computer system was incorrectly distributing the fees and surcharges.

Recommendations

We recommend that the office take corrective action to ensure the computer is programmed properly to classify and report Commonwealth funds. Additionally, when there are software updates, these updates should be reviewed and tested to make sure that fees and surcharges are being classified and disbursed properly.

PROTHONOTARY
LUZERNE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
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Finding No. 5 - Computer System Improperly Programmed To Disburse Divorce Complaint
Surcharge And Protection From Abuse Surcharge (Continued)

Management's Response

No formal response was offered at this time.

PROTHONOTARY
LUZERNE COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2011

This report was initially distributed to:

The Honorable Daniel P. Meuser
Secretary
Pennsylvania Department of Revenue

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

Mr. Arthur Bobbouine	Acting Prothonotary
The Honorable Walter L. Griffith, Jr.	Controller
Mr. Robert C. Lawton	Luzerne County Manager

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