

ATTESTATION ENGAGEMENT

Prothonotary
Lebanon County, Pennsylvania
For the Period
January 1, 2011 to December 31, 2014

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 statement of receipts and disbursements (Statement) of the Prothonotary, Lebanon County, Pennsylvania (County Officer), for the period January 1, 2011 to December 31, 2014, 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 office's management is responsible for this statement. 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 and, accordingly, included 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 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, 2011 to December 31, 2014, 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 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 Statement; 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 Statement. 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 Statement is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on internal control over reporting on the Statement or on compliance and other matters; accordingly, we express no such opinions.

Our consideration of internal control over reporting on the Statement was for the limited purpose of expressing an opinion on whether the Statement is presented in accordance with the criteria described above and was not designed to identify all deficiencies in internal control over reporting on the Statement 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 a certain deficiency in internal control that we consider to be a material weakness.

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 Statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency listed below to be a material weakness:

- Inadequate Internal Control Over Manual Receipts.

As part of obtaining reasonable assurance about whether the Statement is 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*.

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.

Independent Auditor's Report (Continued)

We appreciate the courtesy extended by the Prothonotary, Lebanon 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.

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

September 21, 2017

Eugene A. DePasquale
Auditor General

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PROTHONOTARY
LEBANON COUNTY
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2014

Receipts:

Writ Taxes	\$	5,299
Divorce Complaint Surcharges		16,610
Judicial Computer System/Access To Justice Fees		211,049
Protection From Abuse Surcharges and Contempt Fines		3,645
Criminal Charge Information System Fees		<u>5,412</u>
Total Receipts (Note 2)		242,015
Commissions (Note 3)		<u>(159)</u>
Net Receipts		241,856
Disbursements to Commonwealth (Note 4)		<u>(241,856)</u>
Balance due Commonwealth (County) per settled reports (Note 5)		-
Examination adjustments (Note 6)		<u>10</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2011 to December 31, 2014	\$	<u>10</u>

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

PROTHONOTARY
LEBANON COUNTY
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2014

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 \$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.
- 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, 2013. The statement of receipts and disbursements only reflects the portion collected on behalf of the AOPC.

PROTHONOTARY
LEBANON COUNTY
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2014

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	\$ 236,444
Adminstrative Office of Pennsylvania Courts	<u>5,412</u>
Total	<u>\$ 241,856</u>

5. Balance Due Commonwealth (County) For The Period January 1, 2011 To December 31, 2014

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 Note 6.

6. Examination Adjustments

The examination adjustment represents an error in the assessment of Judicial Computer System/Access To Justice Fees for a case in 2014.

7. County Officers Serving During Examination Period

Lisa Arnold served as Prothonotary during the period January 1, 2011 to August 21, 2014.

The Prothonotary position was vacant during the period of August 22, 2014 to October 9, 2014.

Barbara Smith served as Prothonotary during the period October 10, 2014 to December 31, 2014.

PROTHONOTARY
LEBANON COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2014

Finding - Inadequate Internal Controls Over Manual Receipts

Manual receipts are available to be issued in the event of a temporary power loss to the office's computer system. When the computer system is operating again, the manual receipt is replaced by an official computer-generated receipt and included in the daily receipts.

Our examination disclosed that required manual receipt procedures were not always followed. Of 25 receipts tested, we noted the following:

- There were 16 manual receipts which could not be located and were not available for examination.
- The date issued was not recorded on two manual receipts.

Good internal accounting controls ensure that:

- Manual receipts are accounted for and maintained.
- All required information is recorded on the manual receipt, including date issued.

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

Adherence to good internal accounting controls would have ensured adequate internal controls over receipts.

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

Recommendation

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

PROTHONOTARY
LEBANON COUNTY
FINDING AND RECOMMENDATION
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Finding - Inadequate Internal Controls Over Manual Receipts (Continued)

Management Response

The County Officer responded as follows:

We have implemented a system of maintaining control over manual receipts as follows:

Once a manual receipt is issued, it will remain in the receipt book until it is completely filled. Once the book is filled, it will be placed in the vault along with daily receipts and bank statements for the same account. Everything will be kept in one central location.

Auditor's Conclusion

During our next examination, we will determine if the office complied with our recommendation.

PROTHONOTARY
LEBANON COUNTY
SUMMARY OF PRIOR EXAMINATION RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2014

Summary of Prior Examination Recommendation

During our prior examination, we recommended that the office:

- Ensure that the manual receipt log is maintained and completed as required by an adequate system of internal controls.

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

PROTHONOTARY
LEBANON COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2014

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

The Honorable Barbara Smith
Prothonotary

The Honorable Robert M. Mettley
Controller

The Honorable Robert J. Phillips
Chairperson of the Board of Commissioners

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov.