

PROTHONOTARY/CLERK OF ORPHANS' COURT

BLAIR COUNTY

AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2002 TO DECEMBER 31, 2005



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## Independent Auditor's Report

Mr. Thomas W. Wolf  
Acting Secretary  
Pennsylvania Department of Revenue  
Harrisburg, PA 17128

We have audited the accompanying statements of receipts and disbursements – cash basis of the Prothonotary/Clerk of Orphans’ Court, Blair County, Pennsylvania (County Officer), for the period January 1, 2002 to December 31, 2005, pursuant to the requirements of Sections 401(b), 401(d), and 902 of *The Fiscal Code*. These financial statements are the responsibility of the county offices' management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the accompanying financial statements were prepared using accounting practices prescribed by the Pennsylvania Department of Revenue, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The financial statements present only the Commonwealth portion of cash receipts and disbursements and are not intended to present fairly the financial position and results of operations of the County Officer, in conformity with accounting principles generally accepted in the United States.

Independent Auditor's Report (Continued)

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the County Officer, as of December 31, 2005, the changes in its financial position, or where applicable, its cash flows for the period then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the operations of the County Officer as it pertains to receipts made on behalf of the Department of Revenue and other state agencies, for the period January 1, 2002 to December 31, 2005, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2007, on our consideration of the County Officer's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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.

January 19, 2007

JACK WAGNER  
Auditor General

PROTHONOTARY  
BLAIR COUNTY  
STATEMENT OF RECEIPTS AND DISBURSEMENTS – CASH BASIS  
FOR THE PERIOD  
JANUARY 1, 2002 TO DECEMBER 31, 2005

Receipts:

Writ Taxes	\$	6,590
Divorce Complaint Surcharges		17,080
Judicial Computer System/Access To Justice Fees		70,295
Criminal Charge Information System Fees		<u>5,492</u>
Total Receipts (Note 2)		99,457
Commissions (Note 3)		<u>(198)</u>
Net Receipts		99,259
Disbursements to Commonwealth (Note 4)		<u>(99,259)</u>
Balance due Commonwealth (County) per settled reports (Note 5)		-
Audit adjustments		<u>-</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2002 through December 31, 2005	\$	<u><u>-</u></u>

Notes to the financial statements are an integral part of this report.

CLERK OF ORPHANS' COURT  
 BLAIR COUNTY  
 STATEMENT OF RECEIPTS AND DISBURSEMENTS – CASH BASIS  
 FOR THE PERIOD  
 JANUARY 1, 2002 TO DECEMBER 31, 2005

Receipts:

Marriage License Taxes	\$	1,628
Marriage License Application Surcharges		32,550
Marriage License Declaration Fees		32,550
Judicial Computer System/Access To Justice Fees		<u>3,045</u>
Total Receipts (Note 2)		69,773
Disbursements to Department of Revenue (Note 4)		<u>(69,773)</u>
Balance due Department of Revenue (County) per settled reports (Note 5)		-
Audit adjustments		<u>-</u>
Adjusted balance due Department of Revenue (County) for the period January 1, 2002 to December 31, 2005	\$	<u><u>-</u></u>

Notes to the financial statements are an integral part of this report.



PROTHONOTARY/CLERK OF ORPHANS' COURT  
BLAIR COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD  
JANUARY 1, 2002 TO DECEMBER 31, 2005

1. Summary Of Significant Accounting Policies

Basis Of Presentation

The financial statements were prepared in accordance with the requirements of the Pennsylvania Department of Revenue. These financial statements are not intended to present either financial results of operations or financial position in conformity with generally accepted accounting principles.

Basis Of Accounting

The financial statements were prepared on the cash basis of accounting. Under this method, revenues were recognized when received and expenditures were recognized when paid.

Audit Requirement

The financial presentation has 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. A statement of assets and liabilities was not a required part of the financial presentation because of the limited reporting scope by the Prothonotary/Clerk of Orphans' Court. Therefore, a statement of assets and liabilities was not audited and is not a part of this report.

2. Receipts

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 \$10.00 surcharge imposed on all divorce decrees.

PROTHONOTARY/CLERK OF ORPHANS' COURT  
BLAIR COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD  
JANUARY 1, 2002 TO DECEMBER 31, 2005

2. Receipts (Continued)

Prothonotary (Continued)

- Judicial Computer System/Access To Justice Fees represent fees (\$5.00 for filings prior to November 1, 2002 and \$10.00 for filings afterwards) imposed for the filing of any legal paper to initiate a civil action or proceeding.
- Criminal Charge Information System Fees represent a \$5.00 fee imposed on all custody cases. Of the \$5.00 fee, \$4.00 is payable to the Administrative Office of Pennsylvania Courts (AOPC) and \$1.00 is payable to the County in which the action took place. The financial statement only reflects the portion collected on behalf of the AOPC. Effective January 1, 2005, the fee was increased to \$6.00, of which \$4.80 is payable to the AOPC.

Clerk Of Orphans' Court

Receipts consist of monies collected on behalf of the Department of Revenue. These include monies collected for the following taxes, surcharges, and fees:

- The Marriage License Tax is a \$.50 tax on all marriage licenses filed with the Clerk of Orphans' Court.
- The Marriage License Application Surcharge is a \$10.00 surcharge imposed on all marriage license applications.
- The Marriage License Declaration Fees is a \$13.00 fee imposed for the issuance of a marriage license or declaration and for returns thereof to the Department of Health, \$2.50 of which shall be for the use of the county where the license is issued, and \$.50 for the use of the Commonwealth (Marriage License Tax), plus \$10.00 (Marriage License/Declaration Fees). The financial statement only reflects the portion collected on behalf of the Commonwealth.

PROTHONOTARY/CLERK OF ORPHANS' COURT  
BLAIR COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD  
JANUARY 1, 2002 TO DECEMBER 31, 2005

2. Receipts (Continued)

Clerk Of Orphans' Court (Continued)

- Judicial Computer System/Access To Justice Fees represent fees (\$5.00 for filings prior to November 1, 2002 and \$10.00 for filings afterwards) imposed on all petitions for grant of letters, and first filings in petitions concerning adoptions, incompetents' estates, minors' estates, and inter vivos trusts.

3. Commissions - Prothonotary

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 Department of Revenue.

4. Disbursements

Prothonotary

Total disbursements are comprised as follows:

Prothonotary checks issued to:

Department of Revenue	\$ 93,767
Administrative Office of Pennsylvania Courts	<u>5,492</u>
Total	<u>\$ 99,259</u>

Clerk Of Orphans' Court

Total disbursements are comprised of checks to the Department of Revenue.

PROTHONOTARY/CLERK OF ORPHANS' COURT  
BLAIR COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD  
JANUARY 1, 2002 TO DECEMBER 31, 2005

5. Balance Due Department Of Revenue/Commonwealth (County) For The Period  
January 1, 2002 To December 31, 2005

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 disbursed directly to the Administrative Office of Pennsylvania Courts.

Clerk Of Orphans' Court

This balance reflects a summary of monthly transmittal reports as settled by the Department of Revenue.

6. County Officer Serving During Audit Period

Carol A. Newman served as the Prothonotary/Clerk of Orphans' Court for the period January 1, 2002 to December 31, 2005.

Report On Compliance And On  
Internal Control Over Financial Reporting

Mr. Thomas W. Wolf  
Acting Secretary  
Pennsylvania Department of Revenue  
Harrisburg, PA 17128

We have audited the statements of receipts and disbursements – cash basis of the Prothonotary/Clerk of Orphans’ Court, Blair County, Pennsylvania (County Officer), for the period January 1, 2002 to December 31, 2005, and have issued our report thereon dated January 19, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County Officer’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, our tests disclosed the following immaterial instances of noncompliance:

- Late Payments To The Commonwealth.
- Judicial Computer System/Access To Justice Fees Not Properly Assessed  
- Prothonotary.

Report On Compliance And On  
Internal Control Over Financial Reporting (Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County Officer's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County Officer's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions described in the findings are as follows:

- Inadequate Stale Check Procedures - Prothonotary.
- Inadequate Internal Controls Over Receipts.
- Inadequate Internal Controls Over Computer System.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider all the reportable conditions described above to be material weaknesses.

Report On Compliance And On  
Internal Control Over Financial Reporting (Continued)

We are concerned in light of the County Officer's failure to correct previously reported audit findings regarding the following:

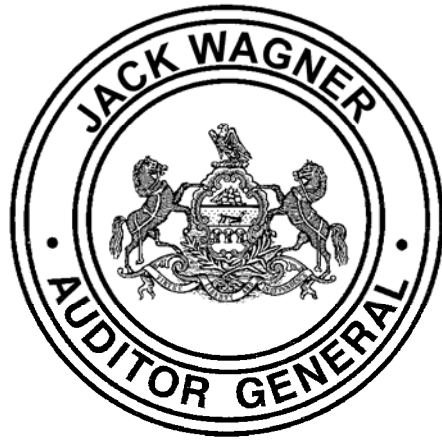
- Late Payments To The Commonwealth.
- Judicial Computer System/Access To Justice Fees Not Properly Assessed - Prothonotary.
- Inadequate Stale Check Procedures - Prothonotary.
- Inadequate Internal Control Over Receipts.
- Inadequate Internal Controls Over Computer System.

The County Officer should strive to implement the recommendations and corrective actions noted in this audit report. During our current audit, we noted several weaknesses relating to the bulleted items above that need corrective action. These significant deficiencies increase the risk that fees may not be assessed properly and money could be lost, stolen or misappropriated.

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.

January 19, 2007

JACK WAGNER  
Auditor General





PROTHONOTARY/CLERK OF ORPHANS' COURT  
BLAIR COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2002 TO DECEMBER 31, 2005

Finding No. 1 - Late Payments To The Commonwealth

Our audit disclosed that the monthly payments submitted by the Prothonotary and Clerk of Orphans' Court were transmitted late. The following schedules identify the late payments.

The Prothonotary checks to the Administrative Office of Pennsylvania Courts (AOPC) for Criminal Charge Information System Fees were late 9 of the 48 months audited:

<u>Month/Year</u>	<u>Due Date</u>	<u>Date Issued</u>	<u>Amount</u>
February-02	03/15/02	03/18/02	\$ 68.00
August-02	09/16/02	09/23/02	104.00
December-04	01/15/05	01/19/05	80.00
March-05	04/15/05	04/20/05	108.00
June-05	07/15/05	07/20/05	134.40
July-05	08/15/05	08/21/05	168.00
August-05	09/15/05	09/16/05	172.80
September-05	10/14/05	10/20/05	158.40
November-05	12/15/05	12/17/05	139.20
			<u>\$ 1,132.80</u>

The Prothonotary checks to the Department of Revenue were late 18 of the 48 months audited:

<u>Month/Year</u>	<u>Date Due</u>	<u>Postmark Date</u>	<u>Amount</u>
January-02	02/05/02	02/11/02	\$ 1,164.97
February-02	03/05/02	03/19/02	1,364.63
March-02	05/06/02	05/08/02	1,561.76
July-02	08/05/02	08/08/02	1,270.99
August-02	09/05/02	09/30/02	1,364.09
November-03	12/05/03	12/10/03	1,898.51
December-03	01/05/04	01/15/04	2,100.34
November-04	12/06/04	12/22/04	2,219.68
December-04	01/05/05	01/24/05	2,036.46
February-05	03/07/05	03/09/05	2,021.87
March-05	04/05/05	04/20/05	2,493.49
April-05	05/05/05	05/12/05	2,113.25
June-05	07/05/05	07/20/05	2,388.75
July-05	08/05/05	08/22/05	1,954.87
August-05	09/06/05	09/19/05	2,580.57
September-05	10/05/05	10/21/05	2,480.91
October-05	11/07/05	11/10/05	2,068.30
November-05	12/05/05	12/17/05	1,976.07
			<u>\$35,059.51</u>

PROTHONOTARY/CLERK OF ORPHANS' COURT  
BLAIR COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2002 TO DECEMBER 31, 2005

Finding No. 1 - Late Payments To The Commonwealth (Continued)

The Clerk of Orphans' court checks to the Department of Revenue were late 18 of the 48 months audited:

<u>Month/Year</u>	<u>Due Date</u>	<u>Postmark Date</u>	<u>Amount</u>
January-02	02/05/02	02/11/02	\$ 609.50
February-02	03/05/02	03/19/02	931.50
April-02	05/06/02	05/08/02	1,828.00
July-02	08/05/02	08/08/02	1,741.50
August-02	09/05/02	09/30/02	1,910.50
November-03	12/05/03	12/10/03	768.00
December-03	01/05/04	01/15/04	1,003.50
November-04	12/06/04	12/22/04	909.00
December-04	01/05/05	01/20/05	745.00
February-05	03/07/05	03/09/05	890.50
March-05	04/05/05	04/20/05	1,217.50
April-05	05/05/05	05/12/05	1,638.50
June-05	07/05/05	07/20/05	2,243.50
July-05	08/05/05	08/22/05	1,967.00
August-05	09/05/05	09/19/05	2,017.00
September-05	10/05/05	10/21/05	2,212.00
October-05	11/07/05	11/10/05	940.00
November-05	12/05/05	12/17/05	<u>1,012.00</u>
			<u>\$ 24,584.50</u>

Prothonotary (Checks to the AOPC)

The AOPC Guidelines state that the Criminal Charge Information System Fees (Custody Fees) are to be remitted to the AOPC by the 15<sup>th</sup> day following the month of collection unless the 15<sup>th</sup> is a Saturday, then the money is due on Friday. If the 15<sup>th</sup> is on a Sunday, the money is due on Monday.

Prothonotary and Clerk of Orphans' Court (Checks to the Department of Revenue)

Section 901 of *The Fiscal Code* requires that agents of the Commonwealth, transmitting collections to the Department of Revenue, remit collections which are postmarked no later than the fifth day following the month of collection. Any remittances postmarked or dated later than the required due date may be subject to a 10 percent penalty for which the agent is personally liable.

PROTHONOTARY/CLERK OF ORPHANS' COURT  
BLAIR COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2002 TO DECEMBER 31, 2005

Finding No. 1 - Late Payments To The Commonwealth (Continued)

Adherence to the AOPC Guidelines and Section 901 of *The Fiscal Code* would have ensured adequate internal control over payments to the Department of Revenue.

This condition was cited in the two prior audit periods, the most recent ending December 31, 2001.

Recommendations

We again recommend that the county office transmit the Commonwealth's portion of the fines and costs as required by the AOPC Guidelines and Section 901 of *The Fiscal Code*. We further recommend that the Department of Revenue review the above-cited condition to determine if further action is warranted.

Auditee Response

No formal response was offered at this time.

Auditor's Conclusion

We are disappointed that the County Officer has not responded as to the action that will be taken to correct this condition. This finding was also cited in our prior audit.

PROTHONOTARY  
BLAIR COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2002 TO DECEMBER 31, 2005

Finding No. 2 - Judicial Computer System/Access To Justice Fees Not Properly Assessed -  
Prothonotary

Our audit disclosed that Judicial Computer System/Access To Justice fees (JCS/ATJ) were not properly assessed on divorce complaints. Of 19 divorce cases tested, 12 were not assessed the JCS/ATJ Fee on each count of the divorce filing.

Title 42 Pa. C.S.A. § 3733 provides for the collection of the JCS/ATJ fees. Effective November 1, 2002, the fee was increased from \$5.00 to \$10.00. The law requires that the fee be assessed on each count of divorce (such as equitable distribution, custody, etc.) since July 1990.

The failure to properly assess and collect the JCS/ATJ fees has resulted in a loss of revenue to the Commonwealth.

This finding was cited in the two prior audit periods, the most recent ending December 31, 2001.

Recommendation

We again recommend that the Prothonotary properly assess and collect the JCS/ATJ fees in accordance with the applicable statute.

Auditee Response

No formal response was offered at this time.

Auditor's Conclusion

We are disappointed that the County Officer has not responded as to the action that will be taken to correct this condition. This finding was also cited in our prior two audits.

PROTHONOTARY  
BLAIR COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2002 TO DECEMBER 31, 2005

Finding No. 3 - Inadequate Stale Check Procedures - Prothonotary

Our examination of the office checking account disclosed that the office was carrying 5 outstanding checks totaling \$6,161.40 dated from February 2000 to November 2004, that were still outstanding as of December 31, 2005.

Good internal accounting controls require that 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.

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 stale checks.

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

This condition was cited in the prior audit period ending December 31, 2001, under the finding titled "Inadequate Internal Control Over Bank Accounts."

Recommendation

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

Auditee Response

No formal response was offered at this time.

Auditor's Conclusion

We are disappointed that the County Officer has not responded as to the action that will be taken to correct this condition. This condition was also cited in our prior audit.

PROTHONOTARY/CLERK OF ORPHANS' COURT  
BLAIR COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2002 TO DECEMBER 31, 2005

Finding No. 4 - Inadequate Internal Controls Over Receipts

Our audit revealed that internal controls over receipts in the Prothonotary/Clerk of Orphans' Court were inadequate. We noted the following:

Prothonotary

Of 55 receipts tested, 8 were not deposited on the same day as collected. The time lapse from the date of receipt to the subsequent deposit ranged from two to six days.

Additionally, the computer system utilized by the Prothonotary has the following computer software control issues:

- Voided receipt numbers can be re-issued on another receipt.
- When creating a receipt, the computer system allows the user to change the receipt date.

Clerk of Orphans' Court

Of 30 receipts tested, we noted the following:

- In six instances, when a petition is filed, the collection is not always receipted and deposited that day. The time lapse from the date of filing to the date the receipt was created and deposited ranged from 3 days to 15 days.
- In three instances, receipts were not deposited on the same day as collected. The time lapse from the date of receipt to the subsequent deposit ranged from two to four days.

Good internal accounting controls ensure that all monies collected are receipted and deposited into the bank at the end of every day. Additionally, computer accounting software controls should prevent users from reissuing voided receipt numbers and having the ability to change the receipt date when creating a receipt. Without a good system of internal control over funds received, the potential for funds to be lost, stolen, or misappropriated is greatly increased.

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

PROTHONOTARY/CLERK OF ORPHANS' COURT  
BLAIR COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
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Finding No. 4 - Inadequate Internal Controls Over Receipts (Continued)

The condition of not depositing receipts on the same day as collected was cited in the prior audit period ending December 31, 2001.

Recommendations

We again recommend that the Prothonotary/Clerk of Orphans' Court receipt all collections and deposit all receipts at the end of each day as required by good internal accounting controls. Additionally, we recommend that the office implement computer controls that prevent voided receipt numbers from being reissued and having the ability to change the date of a receipt when being created.

Auditee Response

No formal response was offered at this time.

Auditor's Conclusion

We are disappointed that the County Officer has not responded as to the action that will be taken to correct these conditions. The condition of not depositing receipts on the same day as collected was also cited in our prior audit.

PROTHONOTARY/CLERK OF ORPHANS' COURT  
BLAIR COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2002 TO DECEMBER 31, 2005

Finding No. 5 - Inadequate Internal Controls Over Computer System

Blair County uses software purchased from and supported by an outside service organization (Vendor) to account for transactions in the Prothonotary/Clerk of Orphans' Court (County). The Vendor has remote access to the County Offices' computer system and data.

During discussions with Vendor personnel, we learned that the Vendor has the ability to make changes to the County's data using a procedure called a Data File Utility (DFU). Use of this utility would not be recorded through the normal accounting processes and, therefore, would not generate a normal audit trail.

We also noted the following weaknesses:

- The contract agreement between the County and the Vendor appears to relieve the Vendor of any liability concerning loss of data or system functionality that may be caused by the Vendor's actions. The contract states, in part, "as is" without warranty of any kind, either expressed or implied, with respect to the software merchantability or fitness for a particular purpose. The License agrees that the Vendor shall not be held liable for direct, indirect, incidental, or consequential damages arising from the use or the inability to use the software. In no event shall the Vendor be liable for any damages resulting from the loss of data, the cost of the recovery of data, the loss of profit or revenue, or the cost of substitute software.
- The Vendor has access to the County's data. The County was not receiving reports to show what data may have been altered and/or accessed.
- County users are not required to periodically change their passwords after initial password selection.

Effective security policy and practice requires the County's approval and monitoring of any computer data changes made by the Vendor, particularly because of the Vendor's access to critical applications. Furthermore, to ensure confidentiality, passwords should be changed periodically and not exchanged between employees.

According to the Computer Emergency Response Team (CERT) of Carnegie Mellon University, inadequate contractor security policies and practices can result in undetected intrusions or security violations, lack of data integrity, and loss of privacy.



PROTHONOTARY/CLERK OF ORPHANS' COURT  
BLAIR COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2002 TO DECEMBER 31, 2005

Finding No. 5 - Inadequate Internal Controls Over Computer System (Continued)

Further, CERT documents also caution that a system might experience loss of confidentiality and integrity due to the contractor using an unsecure method of remote access. This may result in intruders gaining unauthorized access to, modifying, or destroying the County's information systems and assets; deliberately introducing security vulnerabilities or viruses; and launching attacks on other systems from the County's network and perhaps making the County liable for damages.

This finding was cited in the prior audit period ending December 31, 2001.

Recommendations

We again recommend the following:

- That the County establish procedures to periodically generate monitoring reports that include the date, time, reason for change(s), change(s) made, and who made the change(s). The County should routinely review these reports to determine that access was appropriate and that data was not improperly altered.
- That the County should continue to take prudent steps to properly secure their production servers from unauthorized access using the remote access software installed on their system. We recommend consideration of security practices published by respected authorities in the field, such as the CERT Security Module entitled:

Outsourcing Managed Security Services

<http://www.cert.org/security-improvement/modules/m03.html>

- The County negotiate an updated contract and software maintenance agreement with the Vendor. During this process the County's legal counsel should consider how to protect the County's interests in the event that errors or fraud occur as a result of Vendor employees accessing the County's data. Further, in accordance with the CERT document cited above, the following computer security issues should be considered for inclusion in the contract:
  - Assurances that vulnerabilities to known forms of attack have been addressed in the contractor software (i.e., all security patches have been updated and applied), assertions that contractor software is installed and configured to operate securely, and warranties that no malicious code (i.e., Trojan Horses) or viruses exist in contractor software.

PROTHONOTARY/CLERK OF ORPHANS' COURT  
BLAIR COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2002 TO DECEMBER 31, 2005

Finding No. 5 - Inadequate Internal Controls Over Computer System (Continued)

Recommendations (Continued)

- The remote access method, the user authentication process, and a requirement that the contractor communicate securely with the County's site when operating remotely.
- The ability to restrict systems administrator-level access to authorized users, as well as the ability to log appropriate activities for purposes of detecting intrusions and attempted intrusions.
- A recently completed security evaluation of the contractor encompassing the technology being selected.
- A non-disclosure agreement if the contractor may encounter proprietary information on the County's systems.
- That the County always maintain an updated contract so as to provide appropriate legal recourse in the event of disputes with the Vendor.
- That the County office should be required to periodically change their passwords.

Auditee Response

No formal response was offered at this time.

Auditor's Conclusion

We are disappointed that the County Officer has not responded as to the action that will be taken to correct these conditions. This finding was also cited in our prior audit.

PROTHONOTARY/CLERK OF ORPHANS' COURT  
BLAIR COUNTY  
REPORT DISTRIBUTION  
FOR THE PERIOD  
JANUARY 1, 2002 TO DECEMBER 31, 2005

This report was initially distributed to:

Mr. Thomas W. Wolf  
Acting Secretary  
Pennsylvania Department of Revenue

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

Prothonotary/Clerk of Orphans' Court  
Blair County  
Blair County Courthouse  
Hollidaysburg, PA 16648

The Honorable Carol A. Newman	Prothonotary/Clerk of Orphans' Court
The Honorable Richard J. Peo	Controller
The Honorable Barry W. Wright	Chairperson of the Board of Commissioners

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us).