

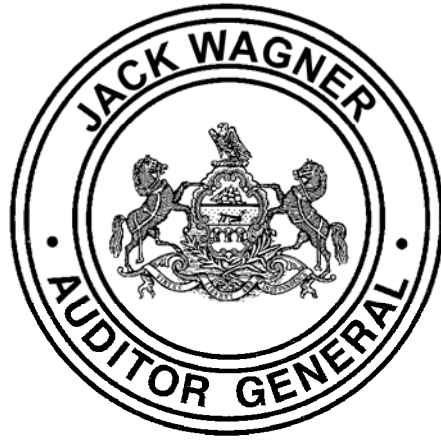
PROTHONOTARY

LUZERNE COUNTY

AUDIT REPORT

FOR THE PERIOD

JANUARY 7, 2002 TO DECEMBER 31, 2004



PROTHONOTARY

LUZERNE COUNTY

AUDIT REPORT

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Independent Auditor's Report

The Honorable Gregory C. Fajt
Secretary
Department of Revenue
Harrisburg, PA 17128

We have audited the accompanying statement of receipts and disbursements – cash basis of the Prothonotary, Luzerne County, Pennsylvania (County Officer), for the period January 7, 2002 to December 31, 2004, pursuant to the requirements of Section 401(b) and 902 of *The Fiscal Code*. This financial statement is the responsibility of the county office's management. Our responsibility is to express an opinion on this statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 statement was 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 statement 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 statement presents only the Commonwealth portion of cash receipts and disbursements and is 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 statement referred to above does 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, 2004, the changes in its financial position, or where applicable, its cash flows for the period then ended.

In our opinion, the financial statement referred to above presents 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 the Administrative Office of Pennsylvania Courts for the period January 7, 2002 to December 31, 2004, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2005, 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.

November 10, 2005

JACK WAGNER
Auditor General

PROTHONOTARY
 LUZERNE COUNTY
 STATEMENT OF RECEIPTS AND DISBURSEMENTS – CASH BASIS
 FOR THE PERIOD
 JANUARY 7, 2002 TO DECEMBER 31, 2004

Receipts:

Writ Taxes	\$	9,552
Divorce Complaint Surcharges		26,765
Judicial Computer System/Access To Justice Fees		189,034
Protection From Abuse Surcharges		5,175
Criminal Charge Information System Fees		<u>8,291</u>
Total receipts (Note 2)		238,817
Commissions (Note 3)		<u>(287)</u>
Net receipts		238,530
Disbursements to Commonwealth (Note 4)		<u>(238,532)</u>
Balance due Commonwealth (County) per settled reports (Note 5)		(2)
Audit adjustments		<u>-</u>
Adjusted balance due Commonwealth (County) for the period January 7, 2002 to December 31, 2004	<u>\$</u>	<u>(2)</u>

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

PROTHONOTARY
LUZERNE COUNTY
NOTES TO THE FINANCIAL STATEMENT
FOR THE PERIOD
JANUARY 7, 2002 TO DECEMBER 31, 2004

1. Summary Of Significant Accounting Policies

Basis Of Presentation

The financial statement was prepared in accordance with the requirements of the Pennsylvania Department of Revenue. This financial statement is not intended to present either financial results of operations or financial position in conformity with generally accepted accounting principles.

Basis Of Accounting

The financial statement was 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. Therefore, a statement of assets and liabilities was not audited and is not a part of this report.

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 \$10.00 surcharge imposed on all divorce decrees.

PROTHONOTARY
 LUZERNE COUNTY
 NOTES TO THE FINANCIAL STATEMENT
 FOR THE PERIOD
 JANUARY 7, 2002 TO DECEMBER 31, 2004

2. Receipts (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.
- Protection From Abuse Surcharges represent a \$25.00 surcharge imposed against defendants when a protection order is granted as a result of a hearing.
- 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.

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 Department of Revenue.

4. Disbursements

Total disbursements are comprised as follows:

Prothonotary checks issued to:

Department of Revenue	\$ 230,241
Administrative Office of Pennsylvania Courts	<u>8,291</u>
Total	<u>\$ 238,532</u>

PROTHONOTARY
LUZERNE COUNTY
NOTES TO THE FINANCIAL STATEMENT
FOR THE PERIOD
JANUARY 7, 2002 TO DECEMBER 31, 2004

5. Balance Due Commonwealth (County) For The Period
January 7, 2002 To December 31, 2004

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.

6. County Officer Serving During Audit Period

Jill A. Moran served as Prothonotary during the period January 7, 2002 to December 31, 2004.

Report On Compliance and On
Internal Control Over Financial Reporting

The Honorable Gregory C. Fajt
Secretary
Department of Revenue
Harrisburg, PA 17128

We have audited the statement of receipts and disbursements – cash basis of the Prothonotary, Luzerne County, Pennsylvania (County Officer), for the period January 7, 2002 to December 31, 2004, and have issued our report thereon dated November 10, 2005. 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 statement is 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*.

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 statement 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

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

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 statement. The reportable conditions described in the finding are as follows:

- Inadequate Internals Controls Over The Bank Account.
- Receipts Were Not Always Deposited On The Same Day As Collected.

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 statement 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.

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.

November 10, 2005

JACK WAGNER
Auditor General

PROTHONOTARY
LUZERNE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 7, 2002 TO DECEMBER 31, 2004

Finding No. 1 - Inadequate Internal Controls Over The Bank Account

Our review 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 adequate accountability over undisbursed funds.
- There was no running balance in the check register.

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

A good system of internal controls ensures that:

- Bank reconciliations are prepared properly as soon as the bank statement is received.
- 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 Prothonotary is essentially an escrow account on behalf of the Commonwealth, county, and other participating entities, all available cash on hand should equal unpaid obligations.
- A running balance is kept 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 account as noted above.

Auditee Response

No formal response was offered at this time.

PROTHONOTARY
LUZERNE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 7, 2002 TO DECEMBER 31, 2004

Finding No. 2 - Receipts Were Not Always Deposited On The Same Day As Collected

Our audit disclosed that receipts were not always deposited on the same day as collected. Of 40 receipts tested, 19 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 2 days to 15 days.

This condition existed because the Prothonotary failed to establish adequate internal controls over receipts.

Good internal accounting controls ensure that all monies collected are deposited in the bank at the end of every day.

Without a good system of internal control over funds received by the office, the potential is increased that funds could be lost, stolen, or misappropriated.

Recommendation

We recommend that the office deposit all receipts on the same day as collected as required by good internal accounting controls.

Auditee Response

No formal response was offered at this time.

PROTHONOTARY
LUZERNE COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 7, 2002 TO DECEMBER 31, 2004

This report was initially distributed to:

The Honorable Gregory C. Fajt
Secretary
Department of Revenue

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

Prothonotary
Luzerne County
Luzerne County Courthouse
Wilkes-Barre, PA 18711

The Honorable Jill A. Moran	Prothonotary
The Honorable Stephen L. Flood	Controller
The Honorable Gregory Skrepenak	Chairman of the Board

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.