

PROTHONOTARY/CLERK OF ORPHANS' COURT

MONROE COUNTY

AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2002 TO DECEMBER 31, 2005

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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 statements of receipts and disbursements – cash basis of the Prothonotary/Clerk of Orphans' Court, Monroe 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.

Our audit was made for the purpose of forming an opinion on the financial statements of the County Officer taken as a whole. The accompanying Schedule 1 for the period January 1, 2002 to December 31, 2005, is supplemental information required by the Department of Revenue and is not a required part of the financial statements. The information in that schedule has been subjected to the procedures applied in the audit of the financial statements, and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2006, 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.

August 31, 2006

JACK WAGNER
Auditor General

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

Receipts:

Writ Taxes	\$ 10,995
Divorce Complaint Surcharges	18,570
Judicial Computer System/Access To Justice Fees	329,751
Protection From Abuse Surcharges And Contempt Fines	7,356
Criminal Charge Information System Fees	<u>8,080</u>
Total receipts (Note 2)	374,752
Commissions (Note 3)	<u>(330)</u>
Net receipts	374,422
Disbursements to Commonwealth (Note 4)	<u>(374,778)</u>
Balance due Commonwealth (County) per settled reports (Note 5)	(356)
Audit adjustments	<u>-</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2002 to December 31, 2005	<u>\$ (356)</u>

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

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

Receipts:

Marriage License Taxes	\$ 1,897
Marriage License Application Surcharges	37,930
Marriage License Declaration Fees	37,930
Judicial Computer System/Access To Justice Fees	<u>6,911</u>
Total receipts (Note 2)	84,668
Disbursements to Department of Revenue (Note 4)	<u>(84,681)</u>
Balance due Department of Revenue (County) per settled reports (Note 5)	(13)
Audit adjustments	<u>-</u>
Adjusted balance due Department of Revenue (County) for the period January 1, 2002 to December 31, 2005	<u><u>\$ (13)</u></u>

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

PROTHONOTARY/CLERK OF ORPHANS' COURT
MONROE 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
MONROE 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.
- Protection From Abuse Surcharges represent a \$25.00 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 \$100.00 nor more than \$1,000.00 imposed against a defendant who is found to be in violation of a protection from abuse order.
- 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
MONROE 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	\$ 366,698
Administrative Office of Pennsylvania Courts	<u>8,080</u>
Total	<u><u>\$ 374,778</u></u>

Clerk Of Orphans' Court

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

PROTHONOTARY/CLERK OF ORPHANS' COURT
MONROE 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

George J. Warden served as the Prothonotary/Clerk of Orphans' Court for the period January 1, 2002 to December 31, 2005.

PROTHONOTARY
MONROE COUNTY
SCHEDULE 1
FOR THE PERIOD
JANUARY 1, 2002 TO DECEMBER 31, 2005

Schedule 1 - Reconciliation Of Settled Reports - Prothonotary

Date of Summary of Collections Report	Balance Due - Settled Reports Dept. of Revenue (County)	Adjustments	Adjusted Balance Due Dept. of Revenue (County)
2002			
January	\$ (355)	\$ -	\$ (355)
February	-	-	-
March	-	-	-
April	-	-	-
May	-	-	-
June	-	-	-
July	-	-	-
August	-	-	-
September	-	-	-
October	-	-	-
November	-	-	-
December	-	-	-
2003			
January	-	-	-
February	-	-	-
March	-	-	-
April	-	-	-
May	-	-	-
June	-	-	-
July	-	-	-
August	-	-	-
September	-	-	-
October	-	-	-
November	-	-	-
December	-	-	-

PROTHONOTARY
MONROE COUNTY
SCHEDULE 1
FOR THE PERIOD
JANUARY 1, 2002 TO DECEMBER 31, 2005

Schedule 1 - Reconciliation Of Settled Reports - Prothonotary (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	\$ -	\$ -	\$ -
February	-	-	-
March	-	-	-
April	(1)	-	(1)
May	-	-	-
June	-	-	-
July	-	-	-
August	-	-	-
September	-	-	-
October	-	-	-
November	-	-	-
December	-	-	-
2005			
January	-	-	-
February	-	-	-
March	-	-	-
April	-	-	-
May	-	-	-
June	-	-	-
July	-	-	-
August	-	-	-
September	-	-	-
October	-	-	-
November	-	-	-
December	-	-	-
Balance due Department of Revenue (County) per settled reports			(356)
Audit adjustments			-
Adjusted balance due Department of Revenue (County) for the period January 1, 2002 to December 31, 2005			\$ (356)

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 statements of receipts and disbursements – cash basis of the Prothonotary/Clerk of Orphans’ Court, Monroe County, Pennsylvania (County Officer), for the period January 1, 2002 to December 31, 2005, and have issued our report thereon dated August 31, 2006. 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*.

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 a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the

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

Internal Control Over Financial Reporting

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 condition described in the finding is as follows:

- Inadequate Internal Controls Over The Bank Accounts.

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 the reportable condition described above to be a material weakness.

We are concerned in light of the County Officer's failure to correct a previously reported audit finding. The County Officer should strive to implement the recommendation and corrective action noted in this audit report. We noted several significant weaknesses in the internal controls over the bank account that need corrective action. These significant deficiencies increase the potential for funds to 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.

August 31, 2006

JACK WAGNER
Auditor General

PROTHONOTARY/CLERK OF ORPHANS' COURT
MONROE COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2002 TO DECEMBER 31, 2005

Finding - Inadequate Internal Controls Over The Bank Accounts

Our review of the accounting records for the Prothonotary/Clerk of Orphans' Court revealed the following deficiencies:

- Monthly bank reconciliations were not prepared for both the Prothonotary's and the Clerk of Orphans' Court's checking accounts. This condition was cited in the prior audit for the period ending December 31, 2001.
- Checking account balances have not been maintained for either of the checking accounts. This condition was cited in the prior audit for the period ending December 31, 2001.
- There was no adequate accountability over undisbursed funds.
 - o A cash overage of approximately \$30,000 existed in the Prothonotary's account at December 31, 2005. This condition was cited in our last four audit periods, the most recent ending December 31, 2001.
 - o A cash overage of approximately \$2,800 existed in the Clerk of Orphans' Court's account at December 31, 2005. This condition was cited in the prior audit for the period ending December 31, 2001.
- Stale check procedures were not always followed.
 - o There were 237 stale checks, many of which were issued to Monroe County and other government agencies, totaling \$8,270 in the Prothonotary's bank account dated from November 13, 1995 to June 30, 2005 that were still outstanding as of December 31, 2005. This condition was cited in our last four audit periods, the most recent ending December 31, 2001.
 - o There were 23 stale checks totaling \$197 in the Clerk of Orphans' Court's bank account dated from December 31, 1998 to April 21, 2005 that were still outstanding as of December 31, 2005. This condition was cited in our last four audit periods, the most recent ending December 31, 2001.

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

PROTHONOTARY/CLERK OF ORPHANS' COURT
MONROE COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2002 TO DECEMBER 31, 2005

Finding - Inadequate Internal Controls Over The Bank Accounts (Continued)

A good system of internal controls ensures that:

- Bank reconciliations are prepared as soon as the bank statement is received.
- A checkbook balance is properly maintained.
- The ending adjusted bank balance is reconciled with liabilities on a monthly basis and any discrepancies are immediately investigated and resolved. Since the bank accounts of the Prothonotary/Clerk of Orphans' Court are essentially escrow accounts 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 reinstated to the checking account and remitted to the county's escheat account at the end of the month.

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

Auditee Response

The Prothonotary/Clerk of The Orphans' Court responded as follows:

We agree that internal controls over both bank accounts need to be improved. While some of the deficiencies noted in the audit were inherited from the prior Officeholder (i.e. stale checks and cash overages), we have already begun to take corrective action.

PROTHONOTARY/CLERK OF ORPHANS' COURT
MONROE COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2002 TO DECEMBER 31, 2005

Finding - Inadequate Internal Controls Over The Bank Accounts (Continued)

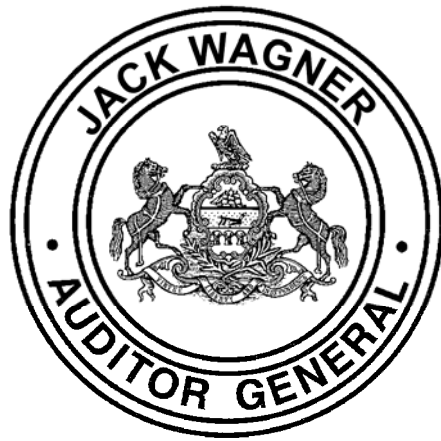
Auditee Response (Continued)

For example, we agree that monthly bank reconciliations should be initiated with the book balance being reconciled to the bank balance. Monthly reconciliations of the account will begin immediately.

The office is already in the process of clearing out all stale checks, based on the recommended procedures for handling said checks.

Auditor's Conclusion

We appreciate the current officeholder's effort to correct these conditions. We strongly recommend that the current officeholder take all corrective actions necessary to comply with all our recommendations. The failure to implement the recommended procedures increase the potential for funds to be lost, stolen, or misappropriated.



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

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/Clerk of Orphans' Court
Monroe County
Monroe County Courthouse
Stroudsburg, PA 18360

The Honorable George J. Warden

Prothonotary/Orphans' Court

The Honorable Marlo A. Merhige

Controller

The Honorable Donna M. Asure

Chairwoman 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.