



CLERK OF THE COURT OF COMMON
PLEAS AND
ADULT PROBATION OFFICE

PHILADELPHIA COUNTY

EXAMINATION REPORT

FOR THE PERIOD

APRIL 1, 2010 TO DECEMBER 31, 2012

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 Clerk of Court of Common Pleas and Adult Probation Office, Philadelphia County, Pennsylvania (County Officer), for the period April 1, 2010 to December 31, 2012, pursuant to the requirements of Section 401(b) of *The Fiscal Code*, 72 P.S. § 401(b). 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.

Except as discussed in the fourth paragraph, 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 Section 401(b) 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 Section 401(b) of *The Fiscal Code*.

Independent Auditor's Report (Continued)

As discussed in Finding No. 1, the manual receipt log was not maintained by the Clerk of Court and blank manual receipts and their respective logs were photocopied, modified and issued numerous times in the Adult Probation Office. Furthermore, as discussed in Finding No. 3, monthly bank reconciliations were not prepared properly, there were numerous outstanding debit/credit accounting adjustments, there were numerous outstanding deposits and numerous checks were outstanding. As a result of these issues, we could not perform our standard examination procedures. As such, the scope of our examination of the County Officer's Statement was limited, and we were unable to satisfy ourselves by other examination procedures.

In our opinion, except for the effects, if any, of the matters noted in the preceding paragraph, 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 April 1, 2010 to December 31, 2012, 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 abuses that are material to the Statement as well as 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 the reporting on the Statement:

Independent Auditor's Report (Continued)

- Inadequate Internal Controls Over Manual Receipts - Clerk Of Court And Adult Probation Office - Recurring.

- Inadequate Internal Controls Over The Bank Account - Clerk Of Court - Recurring.

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. We consider all the significant deficiencies described above to be 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*. However, we did note another matter that, while not required to be reported by *Government Auditing Standards*, has been included in the finding below:

- Inadequate Assessment Of Fines, Costs, Fees, And Surcharges - Clerk Of Court - Recurring.

We are concerned in light of the office's failure to correct previously reported findings in the Clerk of Court and Adult Probation Office regarding inadequate internal controls over manual receipts and the Clerk of Court office regarding inadequate internal control over the bank account and inadequate assessment of fines, costs, fees and surcharges. During our current examination period the Clerk of Court and Adult Probation Office failed to have an adequate internal control over receipts. Also, the Clerk of Court had an inadequate internal control over the bank account and an inadequate assessment of fines, costs, fees and surcharges. The office should strive to implement the recommendations and corrective actions noted in this 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 19, 2014

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CLERK OF THE COURT OF COMMON PLEAS AND ADULT PROBATION OFFICE
 PHILADELPHIA COUNTY
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 APRIL 1, 2010 TO DECEMBER 31, 2012

Receipts:

Department of Transportation		
Title 75 Fines	\$	9,645
Department of Revenue Court Costs		665,431
Crime Victims' Compensation Costs		3,109,547
Crime Commission Costs/Victim Witness Services Costs		2,202,260
Domestic Violence Costs		224,314
Emergency Medical Services Fines		21,090
DUI - ARD/EMS Fees		93,107
CAT/MCARE Fund Surcharges		306,557
Judicial Computer System/Access to Justice Fees		1,205,449
Offender Supervision Fees		3,406,107
Criminal Laboratory Users' Fees		8,799
Probation and Parole Officers' Firearm Education Costs		137,795
Substance Abuse Education Costs		14,590
Office of Victims' Services Costs		67,593
Miscellaneous State Fines and Costs		<u>5,074,337</u>
 Total receipts (Note 2)		 16,546,621
 Disbursements to Commonwealth (Note 3)		 <u>(16,549,179)</u>
 Balance due Commonwealth (County) per settled reports (Note 4)		 (2,558)
 Examination adjustments		 <u>-</u>
 Adjusted balance due Commonwealth (County) for the period April 1, 2010 to December 31, 2012	 \$	 <u><u>(2,558)</u></u>

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

CLERK OF THE COURT OF COMMON PLEAS AND ADULT PROBATION OFFICE
 PHILADELPHIA COUNTY
 NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 APRIL 1, 2010 TO DECEMBER 31, 2012

1. Criteria

The Statement of Receipts and Disbursements provides a summary of receipts and disbursements by category. The categories and the amounts of fines, costs, fees, and surcharges 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 are comprised of fines, costs, fees, and surcharges collected on behalf of the Commonwealth. These fines, costs, fees, and surcharges represent collections made from summary and criminal cases filed with the Clerk of the Court of Common Pleas' Office.

3. Disbursements

Total disbursements are comprised as follows:

Clerk of the Court checks issued to:

Department of Revenue	\$ 16,464,058
Office of the Attorney General	2,426
Crime Victims' Compensation Assistance Program	11,782
Commonwealth of Pennsylvania	12,032
Department of Transportation	2,510
Department of Labor and Industry	25,063
Department of Public Welfare	29,510
Department of Veterans' Affairs	1,797
Department of Treasury	<u>1</u>
Total	<u><u>\$ 16,549,179</u></u>

CLERK OF THE COURT OF COMMON PLEAS AND ADULT PROBATION OFFICE
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NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
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4. Balance Due Commonwealth (County) For The Period April 1, 2010 To December 31, 2012

This balance reflects a summary of monthly transmittal reports as settled by the Department of Revenue. The balance also reflects a summary of any receipts disbursed directly to other state agencies.

5. County Officer Serving During Examination Period

Joseph H. Evers served as the Clerk of Court for the period April 1, 2010 to December 31, 2012.

CLERK OF THE COURT OF COMMON PLEAS AND ADULT PROBATION OFFICE
PHILADELPHIA COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
APRIL 1, 2010 TO DECEMBER 31, 2012

Finding No. 1 - Inadequate Internal Controls Over Manual Receipts - Clerk Of Court And Adult Probation Office - Recurring

We cited the issue of inadequate internal controls over the manual receipts in the prior office holder's last three examination reports, with the most recent for the period ending March 31, 2010. Our current examination found that the prior office holder did not correct this issue.

The Clerk of Court office only issues manual receipts pertaining to fines, costs, and restitution when the computer system goes down. Along with those manual receipts, hundreds of additional manual receipts are issued for fees that do not contain Commonwealth monies. Although all the manual receipts are distinguishable by the receipt number, all of these manual receipts are comingled when entered into the computer system.

In addition to the above, the Adult Probation Office issues manual receipts when the computer system goes down. Manual receipts are also used during high volume times. The Adult Probation Office has two cashiers collecting money. When the line becomes excessively long, the office staff uses manual receipts to streamline the payment process.

Our examination disclosed the following deficiencies in the internal controls over manual receipts:

- A manual receipt log was not maintained in the Clerk of Court Office.

Of 17 receipts tested in the Adult Probation Office, we noted the following:

- Six manual receipts tested and their respective logs were photocopied, modified, and issued numerous times.
- Four of the six photocopied manual receipts did not have the entire modified receipt number entered into the computer system.
- There were three instances in which the manual receipt number was not entered into the computer system when the corresponding computer receipt was generated.

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

CLERK OF THE COURT OF COMMON PLEAS AND ADULT PROBATION OFFICE
PHILADELPHIA COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
APRIL 1, 2010 TO DECEMBER 31, 2012

Finding No. 1 - Inadequate Internal Controls Over Manual Receipts - Clerk Of Court And Adult Probation Office - Recurring (Continued)

Good internal accounting controls ensure that:

- A manual receipt log should be maintained to document information that is recorded on the manual receipt, including date issued, date filed, case number, signature of the person receiving the payment, remitter name, payment source, and payment method. This will provide an audit trail on the issuance of the manual receipt.
- Manual receipts are accounted for and maintained.
- Manual receipt numbers are entered in the manual receipt number field on the computer when the corresponding computer receipts are generated.

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.

Recommendation

We again strongly recommend that the office establish and implement an adequate system of internal controls over manual receipts as noted above.

CLERK OF THE COURT OF COMMON PLEAS AND ADULT PROBATION OFFICE
PHILADELPHIA COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
APRIL 1, 2010 TO DECEMBER 31, 2012

Finding No. 1 - Inadequate Internal Controls Over Manual Receipts - Clerk Of Court And Adult Probation Office - Recurring (Continued)

Management's Response

The County Officer responded as follows:

Clerk's office

No manual receipts log was prepared and maintained. The Accounting Unit, Office of Judicial Records, has created a dedicated binder to maintain all manual receipts and a corresponding log. The Unit will maintain enough manual receipts to complete activities for one full business day. Replenishment of the receipts will occur periodically. The documents will be kept in a secure location accessible only to the Unit Supervisor.

Adult Probation Office

Blank manual receipts and their corresponding logs were photocopied and modified to either replace missing manual receipts or to be issued multiple times. The Unit has corrected the low inventory of manual receipts. The Accounting Unit, Adult Probation, has created a dedicated binder to maintain all manual receipts and a corresponding log. The Unit will maintain enough manual receipts to complete activities for one full business day. Replenishment of the receipts will occur periodically. The documents will be kept in a secure location accessible only to the Unit Supervisor. In unusual circumstances, where all manual receipts are utilized prior to system restoration, the Unit will cease collections for the day and will instruct payees to proceed to Criminal Justice Payment Center.

Manual receipt numbers were not entered into the computer system when the corresponding computer receipt was generated. Cashiers were reminded of the importance of attention to details and quality of work. All employees will comply with CPCMS Financial Guide Handbook by completing all required fields in computer-generated receipts upon full restoration of CPCMS. A copy of the computer-generated receipt will accompany the manual receipt as part of daily work activities. Full review of daily intake paperwork will be performed by Unit Supervisor.

Auditor's Conclusion

This is a recurring finding. We strongly recommend that the office take all corrective actions necessary to comply with our recommendation. During our next examination we will determine if the office complied with our recommendation.

CLERK OF THE COURT OF COMMON PLEAS AND ADULT PROBATION OFFICE
PHILADELPHIA COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
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Finding No. 2 - Inadequate Internal Controls Over The Bank Account - Clerk Of Court -
Recurring

We cited the office's inadequate internal controls over the bank account in the prior office holder's last three examinations, with the most recent being for the period ending March 31, 2010. However, our current examination found that the prior office holder did not correct this issue.

Our current examination of the accounting records for the office disclosed that the monthly bank reconciliations were not prepared properly. Because the office did not properly prepare the reconciliations, we found:

- numerous deposits totaling \$2,590,487.45 dated from January 14, 2010 to April 9, 2010 that appeared to be outstanding as of December 31, 2012.
- numerous checks totaling \$140,868.31 dated from December 7, 2006 to February 28, 2011 that appeared to be outstanding as of December 31, 2012.

However, we found that these deposits and checks did clear the bank and were not outstanding as of December 31, 2012. In addition we found numerous debit/credit accounting adjustments totaling \$112,015.17 dated from October 25, 2006 to April 25, 2011 that were incorrectly made in order to balance the bank account instead of completing an accurate reconciliation.

These conditions existed because the prior office holder ignored our three prior audit recommendations and 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, all deposits, outstanding checks and adjustments should be reflected accurately on the bank reconciliation and any discrepancies should be immediately investigated and resolved.

Without a good system of internal controls over the bank account, the possibility of funds being lost or misappropriated increases significantly.

CLERK OF THE COURT OF COMMON PLEAS AND ADULT PROBATION OFFICE
PHILADELPHIA COUNTY
FINDINGS AND RECOMMENDATIONS
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Finding No. 2 - Inadequate Internal Controls Over The Bank Account - Clerk Of Court -
Recurring (Continued)

Recommendation

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

Management's Response

The County Officer responded as follows:

Since May 2010, FJD staff have been reviewing and re-doing bank reconciliations done previously by the Clerk of Quarter Sessions. We have verified that the vast majority of the deposits were credited by the bank and should have been marked "cleared" in past reconciliations. To date, we have left these transactions marked and "uncleared" for fear of either damaging then accounting data/program or compounding the problem by mixing past and current activities. We have generated a list of these transactions to clear. FJD is working closely with AOPC to correct proceeds in a manner that distinguishes past corrections from current reconciliations activities. We anticipate completion by the end of this summer.

Auditor's Conclusion

This is a recurring finding. We strongly recommend that the office take all corrective actions necessary to comply with our recommendations. During our next examination we will determine if the office complied with our recommendation.

CLERK OF THE COURT OF COMMON PLEAS AND ADULT PROBATION OFFICE
PHILADELPHIA COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
APRIL 1, 2010 TO DECEMBER 31, 2012

Finding No. 3 - Inadequate Assessment Of Fines, Costs, Fees, And Surcharges - Clerk Of Court -
Recurring

We cited the issue of inadequate assessment of fines, costs, fees, and surcharges in the prior office holder's last three examinations, with the most recent for the period ending March 31, 2010. However, our current examination found that the prior office holder did not correct this issue.

Our current examination disclosed that the office did not assess certain fines, costs, fees, and surcharges as mandated by law. Of 70 cases tested, we noted the following discrepancies:

- There were 22 cases in which the Substance Abuse Education Cost was not assessed.
- There were three cases in which Crime Victims Compensation Costs were not assessed.

We tested an additional 18 cases for proper assessment of Amber Alert Costs. Of the 18 cases tested, we found 15 cases in which the Amber Alert System Cost was not assessed.

These conditions occurred because the prior office holder ignored our three prior audit recommendations and failed to stay up-to-date on laws and regulations regarding the proper assessment of Commonwealth fines, costs, fees, and surcharges.

The following state statutes address the assessment of fines, costs, fees, and surcharges that were not properly assessed:

- Substance Abuse Education Costs. The General Assembly amended Title 18 by adding Section 7508. This section imposed a \$100 cost on driving under the influence (DUI) offenses and on all drug related offenses covered in the Controlled Substance, Drug, Device and Cosmetic Act. Effective February 1, 2004, DUI offenses in which the offender's blood alcohol level is greater than .16% require an additional \$200 cost. The cost is distributed 50/50 between the County and the Commonwealth.
- Title 18 P.S. § 11.1101 - Crime Victims' Compensation Costs. This section provides for the collection of a \$35 fee to be paid into the Crime Victim's Compensation Fund for use by the Crime Victim's Compensation Board for payment to victims and technical assistance.

CLERK OF THE COURT OF COMMON PLEAS AND ADULT PROBATION OFFICE
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FINDINGS AND RECOMMENDATIONS
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Finding No. 3 - Inadequate Assessment Of Fines, Costs, Fees, And Surcharges - Clerk Of Court -
Recurring (Continued)

- Title 35 P.S. § 7025.4 provides for the collection of the Amber Alert System Cost. Unless the court finds that undue hardship would result in addition to any other cost imposed by law, a cost of \$25 shall automatically be assessed on each person convicted, adjudicated delinquent or granted accelerated rehabilitative disposition (ARD) of the offenses under 18 Pa.C.S. § 2901-2910.

The improper assessing of these costs and fees resulted in the defendant not being assessed the proper amount of costs and fees associated with the violation and/or a loss of revenue to the Commonwealth and County.

Recommendation

We again strongly recommend that the office review the laws noted above to ensure that fines, costs, fees, and surcharges are assessed as mandated by law.

Management's Response

The County Officer responded as follows:

During the exit interview, FJD representatives requested a list of dockets tested for this finding in order to draft a more specific response. The list was not made available at the time of this response, so a more general response is provided. The Court Clerk records all decisions, orders, assessments and any other activity in the courtroom. Administrative and judicial relief from assessments is possible in certain cases. It is believed that the dockets noted in this finding fall into the category of special relief granted and therefore in fact may not be an issue. Additionally, the former Clerk's Administration suffered from lack of communication and formal personnel training. In the new Administration, we are looking into all assessments mentioned in the Clerk of Court Manual aiming to comply with the requirements. Additionally, there is ongoing training of the Clerks related to the assessments brought to our attention by the auditors.

CLERK OF THE COURT OF COMMON PLEAS AND ADULT PROBATION OFFICE
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FINDINGS AND RECOMMENDATIONS
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Finding No. 3 - Inadequate Assessment Of Fines, Costs, Fees, And Surcharges - Clerk Of Court -
Recurring (Continued)

Auditor's Conclusion

As to the reference above regarding the request of a list of dockets tested for this finding, we provided the list to the office on May 29, 2014. We subsequently received the office's response on June 19, 2014.

This is a recurring finding. We strongly recommend that the office take all corrective actions necessary to comply with our recommendations. During our next examination we will determine if the office complied with our recommendation.

CLERK OF THE COURT OF COMMON PLEAS AND ADULT PROBATION OFFICE
PHILADELPHIA COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
APRIL 1, 2010 TO DECEMBER 31, 2012

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. Thomas J. Dougherty
Director
Division of Grants and Standards
Pennsylvania Board of Probation and Parole

The Honorable Joseph H. Evers	Clerk of Court
David V. Preski	Chief, Pretrial Service Division (Adult Probation Office)
The Honorable Sheila Woods-Skipper	President Judge
The Honorable Alan Butkovitz	Controller
The Honorable Darrell L. Clarke	President of City Council

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