



CLERK OF THE COURT OF COMMON PLEAS
AND COLLECTIONS OFFICE/
PROTHONOTARY

LYCOMING COUNTY

EXAMINATION REPORT

FOR THE PERIOD

JANUARY 1, 2007 TO DECEMBER 31, 2010

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL





CLERK OF THE COURT OF COMMON PLEAS AND COLLECTIONS OFFICE/
PROTHONOTARY

LYCOMING COUNTY

EXAMINATION REPORT

FOR THE PERIOD

JANUARY 1, 2007 TO DECEMBER 31, 2010



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen

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 statements of receipts and disbursements (Statements) of the Clerk of the Court of Common Pleas and Collections Office/Prothonotary, Lycoming County, Pennsylvania (County Officer), for the period January 1, 2007 to December 31, 2010, pursuant to the requirements of Sections 401(b) and 401(d) of *The Fiscal Code*, 72 P.S. § 401(b) and § 401(d). These Statements are the responsibility of the county office's management. Our responsibility is to express an opinion on these Statements 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 Sections 401(b) and 401(d) of *The Fiscal Code* to audit the accounts of each county officer to determine whether all moneys collected on behalf of the Commonwealth have been correctly assessed, reported and promptly remitted. *Government Auditing Standards* issued by the Comptroller General of the United States include attestation engagements as a separate type of audit. An attestation engagement performed pursuant to *Government Auditing Standards* involves additional standards that exceed the standards provided by the American Institute of Certified Public Accountants. Accordingly, this attestation engagement complies with both *Government Auditing Standards* and Sections 401(b) and 401(d) of *The Fiscal Code*.

Independent Auditor's Report (Continued)

As discussed in Finding No. 1, a population of manual receipts could not be determined and all manual receipts were not available for review. Without the population of manual receipts, we could not perform our standard examination procedures. As a result, 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 January 1, 2007 to December 31, 2010, 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 abuse that are material to the Statements and 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 Statements are 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 Statements 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 Statements 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 Statements:

Independent Auditor's Report (Continued)

- Inadequate Manual Receipt Procedures - Collections Office
- Inadequate Internal Controls Over Receipts - Prothonotary.
- Inadequate Segregation Of Duties - Prothonotary.
- Bank Deposit Slips Not Validated - Collections Office.
- Improper Stale Check Procedures - Prothonotary.

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 Statements will not be prevented or detected by the County Officer's internal control. Our consideration of the internal control over reporting on the Statements 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*.

We are concerned in light of the County Officer's failure to correct previously reported findings regarding the inadequate segregation of duties and improper stale check procedures in the prothonotary's office. Additionally, during our current examination, we noted inadequate internal controls over receipts in the prothonotary's office and inadequate manual receipt procedures and bank deposit slips not validated in the collection's office. These significant deficiencies increase the risk for funds to be lost or misappropriated. The County Officer should strive to implement the recommendations and corrective action noted in this examination report.

Independent Auditor's Report (Continued)

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.

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

March 27, 2013

EUGENE A. DEPASQUALE
Auditor General

CONTENTS

	<u>Page</u>
Financial Section:	
Statements Of Receipts And Disbursements:	
Clerk Of The Court Of Common Pleas And Collections Office.....	1
Prothonotary	2
Notes To The Statements Of Receipts And Disbursements	3
Findings And Recommendations:	
Finding No. 1 - Inadequate Manual Receipt Procedures - Collections Office	10
Finding No. 2 - Inadequate Internal Controls Over Receipts - Prothonotary	12
Finding No. 3 - Inadequate Segregation Of Duties - Prothonotary	14
Finding No. 4 - Bank Deposit Slips Not Validated - Collections Office	16
Finding No. 5 - Improper Stale Check Procedures - Prothonotary	17
Comment.....	18
Report Distribution	19

CLERK OF THE COURT OF COMMON PLEAS
AND COLLECTIONS OFFICE
LYCOMING COUNTY
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2007 TO DECEMBER 31, 2010

Receipts:

Department of Transportation		
Title 75 Fines	\$	250,294
Overweight Fines		5,850
Department of Revenue Court Costs		95,376
Crime Victims' Compensation Costs		304,439
Crime Commission Costs/Victim Witness Services Costs		205,240
Domestic Violence Costs		32,965
Emergency Medical Services Fines		41,091
DUI - ARD/EMS Fees		26,432
CAT/MCARE Fund Surcharges		203,746
Judicial Computer System/Access to Justice Fees		86,057
Offender Supervision Fees		1,230,950
Constable Service Surcharges		1,550
Criminal Laboratory Users' Fees		19,132
Probation and Parole Officers' Firearm Education Costs		23,945
Substance Abuse Education Costs		181,586
Office of Victims' Services Costs		35,935
Miscellaneous State Fines and Costs		<u>286,042</u>
 Total receipts (Note 2)	 \$	 3,030,630
 Disbursements to Commonwealth (Note 4)		 <u>(3,043,527)</u>
 Balance due Commonwealth (County) per settled reports (Note 5)		 (12,897)
 Examination adjustments		 <u>-</u>
 Adjusted balance due Commonwealth (County) for the period January 1, 2007 to December 31, 2010	 \$	 <u><u>(12,897)</u></u>

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

PROTHONOTARY
 LYCOMING COUNTY
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 JANUARY 1, 2007 TO DECEMBER 31, 2010

Receipts:

Writ Taxes	\$	5,105
Divorce Complaint Surcharges		14,460
Judicial Computer System/Access To Justice Fees		154,659
Protection From Abuse Surcharges and Contempt Fines		1,825
Criminal Charge Information System Fees		<u>5,666</u>
Total Receipts (Note 2)		181,715
Commissions (Note 3)		<u>(153)</u>
Net Receipts		181,562
Disbursements to Commonwealth (Note 4)		<u>(181,562)</u>
Balance due Commonwealth (County) per settled reports (Note 5)		-
Examination adjustments		<u>-</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2007 to December 31, 2010	\$	<u><u>-</u></u>

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

CLERK OF THE COURT OF COMMON PLEAS AND COLLECTIONS OFFICE/
PROTHONOTARY
LYCOMING COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2007 TO DECEMBER 31, 2010

1. Criteria

The Statements of Receipts and Disbursements provide a summary of receipts and disbursements by category. The categories and the amounts of fines, costs, fees, taxes, and surcharges assessed are based on Pennsylvania laws and regulations.

The Statements were 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

Clerk Of The Court Of Common Pleas

Receipts are comprised of fines, costs, fees, and surcharges collected on behalf of the Commonwealth. These fines, costs, fees, and surcharges represent collections made on summary and criminal cases filed with the Clerk of the Court of Common Pleas' Office.

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 surcharge imposed on all divorce decrees.
- Judicial Computer System/Access To Justice Fees represent a \$10 fee imposed for the filing of any legal paper to initiate a civil action or proceeding. These fees were temporarily increased to \$23.50 for the period December 8, 2009 to December 31, 2014.

CLERK OF THE COURT OF COMMON PLEAS AND COLLECTIONS OFFICE/
PROTHONOTARY
LYCOMING COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2007 TO DECEMBER 31, 2010

2. Receipts (Continued)

Prothonotary (Continued)

- Protection From Abuse Surcharges represent a \$25 surcharge imposed against defendants when a protection order is granted as a result of a hearing. Effective May 9, 2006, the surcharge was increased to \$100. Protection From Abuse Contempt Fines represent fines of not less than \$100 nor more than \$1,000 imposed against a defendant who is found to be in violation of a protection from abuse order. Effective May 9, 2006, the fine was increased to a minimum of \$300 and maximum of \$1,000.
- Criminal Charge Information System Fees represent a fee imposed on all custody cases. Of the fee imposed, 80% is payable to the Administrative Office of Pennsylvania Courts (AOPC) and 20% is payable to the County in which the action took place. The fee was \$6.50 for the period January 1, 2006 to December 31, 2007, \$7 for the period January 1, 2008 to December 31, 2010. The statement of receipts and disbursements 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 Commonwealth.

CLERK OF THE COURT OF COMMON PLEAS AND COLLECTIONS OFFICE/
 PROTHONOTARY
 LYCOMING COUNTY
 NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 JANUARY 1, 2007 TO DECEMBER 31, 2010

4. Disbursements

Clerk Of The Court Of Common Pleas

Total disbursements are comprised as follows:

Clerk of the Court checks issued to:

Department of Revenue	\$ 3,016,007
Higher Education Assistance Agency	16,312
Commonwealth of Pennsylvania	10,661
Fish and Boat Commission	443
Liquor Control Board	98
Department of Corrections	<u>6</u>

Total	<u><u>\$ 3,043,527</u></u>
-------	----------------------------

Prothonotary

Total disbursements are comprised as follows:

Prothonotary checks issued to:

Department of Revenue	\$ 175,896
Adminstrative Office of Pennsylvania Courts	<u>5,666</u>

Total	<u><u>\$ 181,562</u></u>
-------	--------------------------

5. Balance Due Commonwealth (County) For The Period January 1, 2007 To December 31, 2010

Clerk Of The Court Of Common Pleas

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.

CLERK OF THE COURT OF COMMON PLEAS AND COLLECTIONS OFFICE/
PROTHONOTARY
LYCOMING COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2007 TO DECEMBER 31, 2010

5. Balance Due Commonwealth (County) For The Period January 1, 2007 To
December 31, 2010 (Continued)

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 that were disbursed directly to the Administrative Office of Pennsylvania Courts.

CLERK OF THE COURT OF COMMON PLEAS AND COLLECTIONS OFFICE/
 PROTHONOTARY
 LYCOMING COUNTY
 NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 JANUARY 1, 2007 TO DECEMBER 31, 2010

6. Reconciliation Of Settled Reports - Clerk Of The Court Of Common Pleas

The following presents a reconciliation of monthly reports settled by the Department of Revenue for the period January 1, 2007 to December 31, 2010:

Date of Summary of Collections Report	Balance Due Settled Reports Commonwealth (County)	Adjustments	Adjusted Balance Due Commonwealth (County)
2007			
January	\$ -	\$ -	\$ -
February	-	-	-
March	-	-	-
April	-	-	-
May	-	-	-
June	-	-	-
July	-	-	-
August	-	-	-
September	-	-	-
October	-	-	-
November	-	-	-
December	-	-	-
2008			
January	-	-	-
February	-	-	-
March	-	-	-
April	-	-	-
May	-	-	-
June	-	-	-
July	-	-	-
August	-	-	-
September	-	-	-
October	-	-	-
November	-	-	-
December	-	-	-

CLERK OF THE COURT OF COMMON PLEAS AND COLLECTIONS OFFICE/
PROTHONOTARY
LYCOMING COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2007 TO DECEMBER 31, 2010

6. Reconciliation Of Settled Reports - Clerk Of The Court Of Common Pleas (Continued)

Date of Summary of Collections Report	Balance Due Settled Reports Commonwealth (County)	Adjustments	Adjusted Balance Due Commonwealth (County)
2009			
January	\$ -	\$ -	\$ -
February	-	-	-
March	-	-	-
April	-	-	-
May	-	-	-
June	-	(158.00)	(158.00)
July	-	(150.00)	(150.00)
August	-	(160.00)	(160.00)
September	-	(45.50)	(45.50)
October	-	(261.00)	(261.00)
November	-	(300.00)	(300.00)
December	-	(150.00)	(150.00)
2010			
January	-	(703.00)	(703.00)
February	-	(1,061.00)	(1,061.00)
March	-	(1,345.90)	(1,345.90)
April	-	(1,204.60)	(1,204.60)
May	-	(802.00)	(802.00)
June	-	(834.00)	(834.00)
July	-	(819.00)	(819.00)
August	-	(1,221.25)	(1,221.25)
September	-	(1,370.25)	(1,370.25)
October	-	(1,263.50)	(1,263.50)
November	-	(704.00)	(704.00)
December	-	(344.00)	(344.00)
Balance due Commonwealth (County) per settled reports			(12,897.00)
Examination adjustments			-
Adjusted balance due Commonwealth (County) for the period of January 1, 2007 to December 31, 2010			<u>\$ (12,897.00)</u>

CLERK OF THE COURT OF COMMON PLEAS AND COLLECTIONS OFFICE/
PROTHONOTARY
LYCOMING COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2007 TO DECEMBER 31, 2010

7. County Officers Serving During Examination Period

William Burd served as the Clerk of the Court of Common Pleas/Prothonotary for the period January 1, 2007 to December 31, 2010.

Thomas D. Heap served as Supervisor of the Collections Office for the period January 1, 2007 to December 31, 2010.

CLERK OF THE COURT OF COMMON PLEAS AND COLLECTIONS OFFICE/
PROTHONOTARY
LYCOMING COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2007 TO DECEMBER 31, 2010

Finding No. 1 - Inadequate Manual Receipt Procedures - Collections Office

Manual receipts are available within the CPCMS (Common Pleas Case Management System) system to be issued in the event of a temporary power loss to the office's computer system. When the computer system is operating again, the manual receipt is replaced by an official computer-generated receipt and included in the daily receipts. During the audit period the office utilized manual receipts from an outside vendor.

Our examination disclosed that there were inadequate internal controls over manual receipts. We noted that:

- A manual receipts log was not maintained to record the issuance of manual receipts. Consequently, a population of manual receipts could not be determined.
- Copies of manual receipts were unavailable for review for the period 1-1-07 through 12-28-09. Therefore, we were unable to examine manual receipts issued for this period.
- Manual receipt numbers were not always entered into the CPCMS system. For the period 12-29-09 through 12-31-10 a block of manual receipt numbers from 74365 to 74429 were selected for examination, which were dated from 4-5-10 to 8-9-10. Of the 65 manual receipts issued, there were 27 instances in which the manual receipt number was not entered into the CPCMS system.

Good internal accounting controls ensure that:

- A manual receipt log is 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 receipt numbers are entered in the manual receipt number field on the computer when the corresponding computer receipts are generated. This will link the manual receipt to the computer receipt.
- Manual receipts are accounted for and maintained.

CLERK OF THE COURT OF COMMON PLEAS AND COLLECTIONS OFFICE/
PROTHONOTARY
LYCOMING COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2007 TO DECEMBER 31, 2010

Finding No. 1 - Inadequate Manual Receipt Procedures - Collections Office (Continued)

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

Without a good system of internal controls over funds received by the office, the potential is increased for funds to be lost or misappropriated.

Recommendation

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

Management's Response

The Prothonotary responded as follows:

My office has implemented a cross-training of duties, and all outstanding checks have been escheated and will continue to be processed ever six months. Bank deposit slips are now being validated by the bank; daily deposit slips contain cash in/check in information and so, I believe that adequate checks and balances and segregation of duties divided amongst employees has been established.

CLERK OF THE COURT OF COMMON PLEAS AND COLLECTIONS OFFICE/
PROTHONOTARY
LYCOMING COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2007 TO DECEMBER 31, 2010

Finding No. 2 - Inadequate Internal Controls Over Receipts - Prothonotary

Our examination of the accounting records for the office disclosed the following deficiencies in the internal controls over receipts:

- Of 60 days tested, we noted that there were 41 days in which all manual receipts did not indicate if the remittance was made by cash, check, or money order. It was also noted that a daily breakdown of the cash/check mix totals per receipts was not maintained.
- Of 60 deposit slips tested, we noted 14 deposit slips in which the office copy was not validated by the bank. A validation slip was issued by the bank but did not indicate the breakdown of cash and checks.

The breakdown of cash and checks was indicated on deposits slips and the office copy was validated by the bank beginning in December 2007.

A good system of internal controls ensures that:

- All manual receipts indicate whether the payment was made by cash, check, or money order and a daily breakdown of the cash/check mix totals per receipts is maintained.
- The office copy of the deposit slip is validated by the bank.

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

These conditions existed because the office failed to establish adequate internal controls over receipts as noted above.

Recommendation

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

CLERK OF THE COURT OF COMMON PLEAS AND COLLECTIONS OFFICE/
PROTHONOTARY
LYCOMING COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2007 TO DECEMBER 31, 2010

Finding No. 2 - Inadequate Internal Controls Over Receipts - Prothonotary (Continued)

Management's Response

The Prothonotary responded as follows:

My office has implemented a cross-training of duties, and all outstanding checks have been escheated and will continue to be processed ever six months. Bank deposit slips are now being validated by the bank; daily deposit slips contain cash in/check in information and so, I believe that adequate checks and balances and segregation of duties divided amongst employees has been established.

CLERK OF THE COURT OF COMMON PLEAS AND COLLECTIONS OFFICE/
PROTHONOTARY
LYCOMING COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2007 TO DECEMBER 31, 2010

Finding No. 3 - Inadequate Segregation Of Duties - Prothonotary

Our examination revealed that the Prothonotary was responsible for performing the following functions:

- Opening mail.
- Reconciling collections to accounting records and/or receipts.
- Making deposits.
- Approving disbursements.
- Preparing and signing checks.
- Summarizing accounting records.

We also noted that the Prothonotary collected money and prepared receipts along with the rest of the staff.

A good system of internal control requires adequate segregation of duties.

One individual should not have custody of cash and at the same time maintain the accounting records for cash. These duties should be segregated and rotated daily. As an alternative control, someone independent from maintaining the accounting records and handling cash should review the employee's work daily. The reviewer should sign and date the records and documents reviewed.

This condition existed because office personnel were not cross-trained. Additionally, duties involving the handling of cash and maintaining accounting records were not rotated daily.

Without adequate segregation of duties, the possibility of errors or irregularities occurring increases significantly.

This finding was cited in the prior examination for the period ending December 31, 2006.

CLERK OF THE COURT OF COMMON PLEAS AND COLLECTIONS OFFICE/
PROTHONOTARY
LYCOMING COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2007 TO DECEMBER 31, 2010

Finding No. 3 - Inadequate Segregation Of Duties - Prothonotary (Continued)

Recommendations

We again recommend that the Prothonotary provide for greater segregation of duties within the office. This can be done by cross-training personnel and rotating job functions that include the handling of cash and maintaining the accounting records for the cash. As an alternative and/or additional control, someone independent from the handling of cash and the accounting records should review the employee's work at the end of each day. The reviewer should sign and date the records and documents reviewed.

Management's Response

The Prothonotary responded as follows:

My office has implemented a cross-training of duties, and all outstanding checks have been escheated and will continue to be processed ever six months. Bank deposit slips are now being validated by the bank; daily deposit slips contain cash in/check in information and so, I believe that adequate checks and balances and segregation of duties divided amongst employees has been established.

CLERK OF THE COURT OF COMMON PLEAS AND COLLECTIONS OFFICE/
PROTHONOTARY
LYCOMING COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2007 TO DECEMBER 31, 2010

Finding No. 4 - Bank Deposit Slips Not Validated - Collections Office

During the audit period the Collections Office took daily receipts to the Lycoming County Treasurer who would prepare a deposit slip and make the deposit.

Our review of the Treasurer office's accounting records disclosed that the office copy of the bank deposit slip was not validated by the bank. Of 40 deposit slips tested, 11 were not validated by the bank. The office received a validated receipt from the bank for the 11 slips that were not validated by the bank, but this only confirmed the total amount deposited and not the actual make up of the deposit (i.e. cash and check mix).

The office copies of the deposit slips were validated by the bank beginning in February 2008.

Good internal accounting controls ensure that the deposit slip identify each check and the total amount of cash deposited. The office copy of each deposit should be brought to the bank to be validated.

The failure to follow these procedures leads to a lack of internal control over bank accounts and could increase the potential for misappropriation. The office was not aware of the potential internal control weaknesses caused by not having a validated deposit slip.

Recommendation

We recommend that the office continue to secure the bank's validation on the office's copy of the deposit slip.

Management's Response

The Prothonotary responded as follows:

My office has implemented a cross-training of duties, and all outstanding checks have been escheated and will continue to be processed ever six months. Bank deposit slips are now being validated by the bank; daily deposit slips contain cash in/check in information and so, I believe that adequate checks and balances and segregation of duties divided amongst employees has been established.

CLERK OF THE COURT OF COMMON PLEAS AND COLLECTIONS OFFICE/
PROTHONOTARY
LYCOMING COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2007 TO DECEMBER 31, 2010

Finding No. 5 - Improper Stale Check Procedures - Prothonotary

Our examination of the court's checking account disclosed that the Prothonotary's office was carrying 28 outstanding checks totaling \$6,245.05 dated from 2005 through November 2009 that were still outstanding as of December 31, 2010.

Good internal controls ensure that the office establish procedures to follow up on outstanding checks in a timely manner. The office should first make an attempt to contact the recipient of the check. If efforts to locate the payee are unsuccessful after six months, the amount of the check should be reinstated (added) to the office checking account and after 180 days remitted to the county treasurer for deposit into an escheat account. Only checks that are 180 days old or older can be marked stale.

The failure to follow these procedures results in a weakening of internal control over the cash account and inefficiency caused by the needless record-keeping of stale checks.

The office did not review or take appropriate follow-up action on long outstanding checks.

This finding was cited in the prior examination for the period ending December 31, 2006.

Recommendations

We again recommend that the office establish procedures to follow up on outstanding checks in a timely manner as noted above.

Management's Response

The Prothonotary responded as follows:

My office has implemented a cross-training of duties, and all outstanding checks have been escheated and will continue to be processed ever six months. Bank deposit slips are now being validated by the bank; daily deposit slips contain cash in/check in information and so, I believe that adequate checks and balances and segregation of duties divided amongst employees has been established.

CLERK OF THE COURT OF COMMON PLEAS AND COLLECTIONS OFFICE/
PROTHONOTARY
LYCOMING COUNTY
COMMENT
FOR THE PERIOD
JANUARY 1, 2007 TO DECEMBER 31, 2010

Comment - Compliance With Prior Examination Recommendation

During our prior examination, we recommended:

- That the Prothonotary's office secure the bank's validation on the office copy of the deposit slip. The office now secures the bank's validation on the office copy of the deposit slip.

CLERK OF THE COURT OF COMMON PLEAS AND COLLECTIONS OFFICE/
PROTHONOTARY
LYCOMING COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2007 TO DECEMBER 31, 2010

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 Robert M. McCord
State Treasurer
Treasury Department

The Honorable Suzanne Revak-Fedele	Clerk of the Court of Common Pleas/ Prothonotary
Mr. Thomas D. Heap	Supervisor of the Collections Office
The Honorable Krista B. Rogers	Controller
The Honorable Jeff C. Wheeland	Chairperson of the Board of Commissioners
The Honorable Nancy Butts	President Judge

This report is a matter of public record and is available online at <http://www.auditorgen.state.pa.us>. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.