



CLERK OF THE COURT OF COMMON PLEAS/
ADULT PROBATION AND PAROLE DEPARTMENT

CHESTER COUNTY

EXAMINATION REPORT

FOR THE PERIOD

JANUARY 1, 2005 TO DECEMBER 31, 2008

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**Department of the Auditor General
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120-0018**

**JACK WAGNER
AUDITOR GENERAL**

Independent Auditor's Report

Mr. Dan Meuser
Acting Secretary
Pennsylvania Department of Revenue
Harrisburg, PA 17128

We have examined the accompanying statement of receipts and disbursements (Statement) of the Clerk of the Court of Common Pleas/Adult Probation and Parole Department, Chester County, Pennsylvania (County Officers), for the period January 1, 2005 to December 31, 2008, 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.

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)

In our opinion, the Statement referred to above presents, in all material respects, the operations of the County Officers as it pertains to receipts made on behalf of the Commonwealth for the period ended December 31, 2008, 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 Statement 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 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 Officers' 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 Officers' Statement that is more than inconsequential will not be prevented or detected by the County Officers' internal control. We consider the deficiencies described in the findings below to be significant deficiencies in internal control over the reporting on the Statement:

- Inadequate Internal Controls Over Facsimile Signature - Clerk Of The Court Of Common Pleas.
- Inadequate Internal Controls Over Manual Receipts - Clerk Of The Court Of Common Pleas/Adult Probation And Parole Department.

Independent Auditor's Report (Continued)

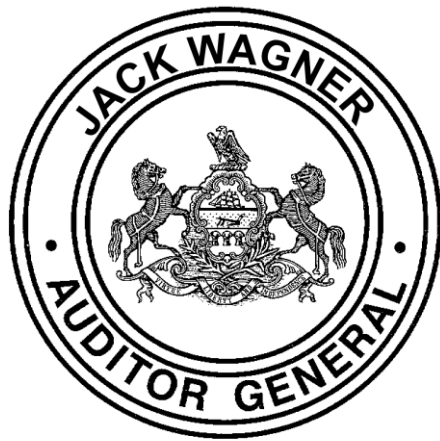
A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the Statement will not be prevented or detected by the County Officers' internal control. Our consideration of the internal control 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*.

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 Officers and is not intended to be and should not be used by anyone other than these specified parties.

June 24, 2010

JACK WAGNER
Auditor General



CLERK OF THE COURT OF COMMON PLEAS/
ADULT PROBATION AND PAROLE DEPARTMENT
CHESTER COUNTY
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2005 TO DECEMBER 31, 2008

Department of Transportation		
Title 75 Fines	\$	619,535
Overweight Fines		5,239
Department of Revenue Court Costs		276,932
Crime Victims' Compensation Costs		603,958
Crime Commission Costs/Victim Witness Services Costs		359,379
Domestic Violence Costs		91,346
Emergency Medical Services Fines		87,942
DUI - ARD/EMS Fees		99,381
CAT/MCARE Fund Surcharges		550,720
Judicial Computer System/Access to Justice Fees		159,007
Offender Supervision Fees		2,042,864
Constable Service Surcharges		24,777
Criminal Laboratory Users' Fees		476,694
Probation and Parole Officers' Firearm Education Costs		61,683
Substance Abuse Education Costs		558,104
Office of Victims' Services Costs		91,570
Miscellaneous State Fines and Costs		<u>437,804</u>
 Total receipts (Note 2)	 \$	 6,546,935
 Disbursements and credits to Commonwealth (Note 3)		 <u>(6,547,102)</u>
 Balance due Commonwealth (County) per settled reports (Note 4)		 (167)
 Examination adjustments		 <u>-</u>
 Adjusted balance due Commonwealth (County) for the period January 1, 2005 to December 31, 2008	 \$	 <u><u>(167)</u></u>

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

CLERK OF THE COURT OF COMMON PLEAS/
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CHESTER COUNTY
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
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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 on summary and criminal cases filed with the Clerk of the Court of Common Pleas' Office.

3. Disbursements And Credits

Total disbursements are comprised as follows:

Clerk of the Court checks issued to:

Department of Revenue	\$ 6,546,005
Credit taken on the current examination for the prior audit period: January 1, 2001 to December 31, 2004	<div style="border-top: 1px solid black; display: inline-block; width: 100px;"></div> 1,097
Total	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100px;"></div> \$ 6,547,102

4. Balance Due Commonwealth (County) For The Period January 1, 2005 To December 31, 2008

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

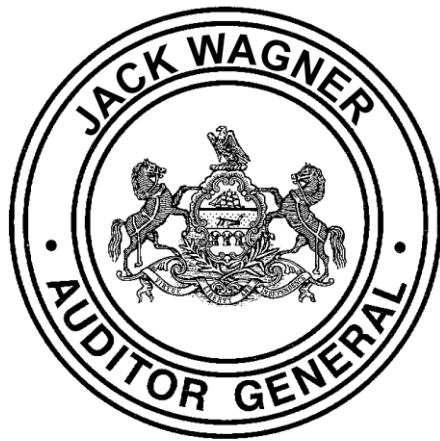
CLERK OF THE COURT OF COMMON PLEAS/
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NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
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5. County Officers Serving During Examination Period

Teena A. Peters served as the Clerk of the Court of Common Pleas for the period January 1, 2005 to December 31, 2008.

Larry Sherff served as the Director of the Adult Probation and Parole Department for the period January 1, 2005 to December 31, 2006.

Christopher J. Murphy served as Chief Adult Probation Officer of the Adult Probation and Parole Department for the period January 1, 2007 to December 31, 2008.



CLERK OF THE COURT OF COMMON PLEAS
CHESTER COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2005 TO DECEMBER 31, 2008

Finding No. 1 - Inadequate Internal Controls Over Facsimile Signature - Clerk Of The Court Of
Common Pleas

Our examination of the Clerk of the Court of Common Pleas (Clerk) disclosed that a facsimile signature, within the CPCMS [Common Pleas Case Management System] system, was authorized to be used by the Collections Unit Supervisor.

Good internal controls ensure that effective measures are implemented to protect against the inappropriate use of the Clerk of Court's signature. Only the Clerk should have the ability to use the facsimile signature.

This condition existed because the office failed to establish and implement an adequate system of internal controls over the facsimile signature.

Without a good system of internal control over the facsimile signature by the office, the potential is increased that documents could be fraudulently authorized and that funds could be misappropriated.

Recommendation

We recommend that the Clerk of the Court of Common Pleas implement good internal controls over the access to the facsimile signature stamp by restricting the authority of the facsimile signature to the Clerk of the Court of Common Pleas [elected official] only.

Management's Response

Francis E. McElwaine, current Clerk of the Court of Common Pleas, responded as follows:

As a result, we are pleased to advise that we have implemented a new process to strengthen our internal controls over disbursements from this office. We feel strongly that in your office's next audit, you will be satisfied with our revised internal controls.

Teena A. Peters, former Clerk of the Court of Common Pleas, responded as follows:

Prior to the workflow changes necessitated by the transition to CPCMS, Chester County had an excellent, secure process in place for payment of fines, costs and restitution. They were receipted by Adult Probation ("APO") and deposited into a

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Finding No. 1 - Inadequate Internal Controls Over Facsimile Signature - Clerk Of The Court Of
Common Pleas (Continued)

Management's Response (Continued)

County bank account. The APO Accounts Clerk Supervisor prepared vouchers which went to the County Controller; after approval, County checks were printed and then mailed by the County Treasurer. The CPCMS workflow required that a new account be created by the Clerk of Courts for all funds for fines, costs and restitution, paid into Clerk of the Court of Common Pleas ("Clerk") and/or APO and that all appropriate disbursements be made through that account. The Clerk of the Court of Common Pleas had not managed those funds prior to implementation of CPCMS and did not have staff to properly do so, especially since the Clerk of the Court of Common Pleas experienced significant workflow changes and increases due to two court case management system conversions within six months. After consultation with the Chester County Controller's Office, including Internal Audit, Finance, APO and CPCMS, the Clerk created a new "Clerk of the Court of Common Pleas/Adult Probation" bank account and implemented what we believed at that time to be the most reasonable procedure to maintain uninterrupted payments from the new account. That process included authorization for the APO Accounts Clerk Supervisor to print checks from that account with the Clerk's electronic signature. The Clerk received the bank statements unopened and reviewed every cancelled check prior to reconciliation. The Clerk also had the ability to review the check detail in CPCMS and see cancelled checks through online access to the bank account. Although we acknowledge that such process is reactive and not proactive, it had worked well and was monitored closely. It should be noted that, although the process then in place was not ideal, the accounts were audited annually by County Internal Audit and there were no findings of impropriety or funds mismanagement.

In the course of the audit done by the State Auditor General's Office in 2009, the State auditors informed the Clerk that the process in place for payment of fines, costs and restitution needed to be revised to put additional safeguards in place for use of the Clerk's electronic (facsimile) signature. After discussions with the State auditor and County Internal Audit, the Clerk implemented a practice by which a listing of all proposed checks to be issued was transmitted to the Clerk and signed off on by the Clerk prior to checks being printed and mailed. The Clerk continued to receive bank statements unopened and review all cancelled checks immediately upon receipt of the bank statements. At the Exit Conference, the Clerk (both current and former Clerk of the Court of Common Pleas) was informed that the

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Finding No. 1 - Inadequate Internal Controls Over Facsimile Signature - Clerk Of The Court Of
Common Pleas (Continued)

Management's Response (Continued)

State Auditor General was not satisfied with the revised procedure and that the facsimile signature process was a significant finding in the State Audit for the Period. The current Clerk, the former Clerk, and the First Deputy Clerk of the Court of Common Pleas worked with the Office of the Controller, County Internal Audit, the Director of Adult Probation and the APO Accounts Clerk Supervisor to develop a new proactive procedure by which all checks for the account in question will be generated within the Clerk of the Court of Common Pleas. The First Deputy Controller consulted with the Auditor General during the formulation of the new process. We believe that the process for check creation and account management significantly reduces any potential weakness in the management of the funds in the Clerk of the Court of Common Pleas/Adult Probation account.

Auditor's Conclusion

During our next examination we will determine if the office complied with our recommendation.

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FINDINGS AND RECOMMENDATIONS
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Finding No. 2 - Inadequate Internal Controls Over Manual Receipts - Clerk Of The Court Of
Common Pleas/Adult Probation And Parole Department

Manual receipts are available to be issued in the event of a temporary power loss to the offices' 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. The Clerk of the Court of Common Pleas (Clerk) and the Adult Probation and Parole Department (APD) share manual receipts.

Our examination disclosed that required manual receipt procedures were not always followed in the Clerk's office. Of 13 receipts tested, we noted the following:

- There were seven instances in which the computer receipt was not generated timely after the issuance of the corresponding manual receipt. The time lapse from the date of the manual receipt to the corresponding computer receipt ranged from 5 days to 186 days.
- The docket numbers for four manual receipts were not recorded on the receipts log.

Our examination disclosed that required manual receipt procedures were not always followed in the APD's office. Of 22 receipts tested, we noted the following:

- There were 18 instances, in which the computer receipt was not generated timely after the issuance of the corresponding manual receipt. The time lapse from the date of the manual receipt to the corresponding computer receipt ranged from 2 days to 21 days.
- The docket numbers for 20 manual receipts were not recorded on the receipts log.

Furthermore, manual receipt books were not issued in numerical sequence.

Additionally, there were 306 manual receipts that could not be located and were not available for examination.

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Finding No. 2 - Inadequate Internal Controls Over Manual Receipts - Clerk Of The Court Of
Common Pleas/Adult Probation And Parole Department (Continued)

A receipt and log sheet should be filled out for each receipt number. The log should document the initials of the employee receiving the payment and the date the payment was entered into the system. The receipts should be used in numerical order; the log sheet should be filled out using the appropriate receipt number; a copy of that receipt should be given to the remitter and the second copy of the receipt should be attached to the new system-generated receipt and placed in the case file; the receipts should be kept, along with the associated log, in a secure location. Additionally, when a manual receipt number is issued, the manual receipt number should be entered in the manual receipt number field when creating the computer receipt. This will link the manual receipt to the computer receipt.

Good internal accounting controls ensure that:

- Computer receipts are generated timely after the issuance of the corresponding manual receipts.
- All required docket information is recorded on the manual receipts log sheet.
- Manual receipts are issued in numerical sequence.
- Manual receipts are accounted for and maintained.

These conditions existed because the offices 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 offices, the potential is increased that funds could be lost or misappropriated.

Adherence to good internal accounting controls would have ensured adequate internal controls over collections.

Recommendation

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

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Finding No. 2 - Inadequate Internal Controls Over Manual Receipts - Clerk Of The Court Of
Common Pleas/Adult Probation And Parole Department (Continued)

Management's Response

Francis E. McElwaine, current Clerk of the Court of Common Pleas, responded as follows:

Concerning manual receipt procedures being out of sequence, this deficiency has also been resolved. Effective March, 2010, manual receipts have been produced through the AOPC (CPCMS System).

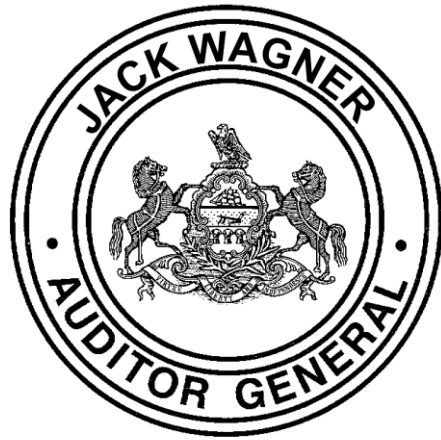
No formal response was offered by the Adult Probation and Parole Department or by the former Clerk of the Court of Common Pleas.

CLERK OF THE COURT OF COMMON PLEAS
CHESTER COUNTY
COMMENT
FOR THE PERIOD
JANUARY 1, 2005 TO DECEMBER 31, 2008

Comment - Compliance With Prior Audit Recommendation - Clerk Of The Court Of Common
Pleas

During our prior audit, we recommended that the office ensure that costs were assessed as mandated by law.

During our current examination, we noted that the office complied with our recommendation.



CLERK OF THE COURT OF COMMON PLEAS/
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CHESTER COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
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This report was initially distributed to:

Mr. Dan Meuser
Acting Secretary
Pennsylvania Department of Revenue

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

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

The Honorable Francis E. McElwaine	Clerk of the Court of Common Pleas
Ms. Teena A. Peters	Former Clerk of the Court of Common Pleas
The Honorable Paula Francisco Ott	President Judge
The Honorable Valentino F. DiGiorgio, III	Controller
The Honorable Carole Aichele	Chairwoman of the Board of Commissioners
Mr. Christopher J. Murphy	Chief Adult Probation Officer, Adult Probation and Parole Department

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