



CLERK OF THE COURT OF COMMON PLEAS AND
DEPARTMENT OF PROBATION SERVICES

LUZERNE COUNTY

EXAMINATION REPORT

FOR THE PERIOD

DECEMBER 5, 2005 TO DECEMBER 31, 2009

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

**JACK WAGNER
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 (Statements) of the Clerk of the Court of Common Pleas and Department of Probation Services, Luzerne County, Pennsylvania (County Officers), for the period December 5, 2005 to December 31, 2009, 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 offices' 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, 2009, 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 deficiency described in the finding below to be a significant deficiency in internal control over the reporting on the Statement:

- Inadequate Internal Controls Over The Bank Account - Department Of Probation Services.

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 the significant deficiency described above to be a material weakness.

Independent Auditor's Report (Continued)

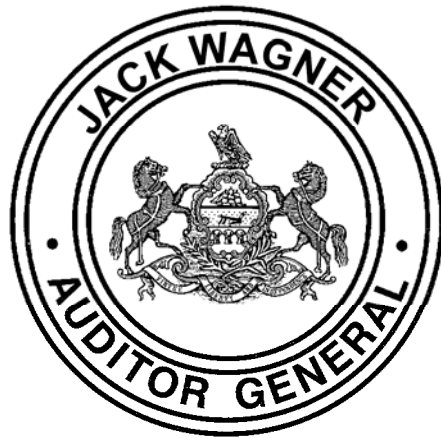
The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We are concerned in light of the Department of Probation Services failure to correct a previously reported finding regarding inadequate internal controls over the bank account. This significant deficiency increases the risk for funds to be lost or misappropriated. The County Officer should strive to implement the recommendation and corrective action noted in this examination 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 Officers and is not intended to be and should not be used by anyone other than these specified parties.

March 13, 2012

JACK WAGNER
Auditor General



CLERK OF THE COURT OF COMMON PLEAS AND
DEPARTMENT OF PROBATION SERVICES
LUZERNE COUNTY
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
DECEMBER 5, 2005 TO DECEMBER 31, 2009

Receipts:

Department of Transportation		
Title 75 Fines	\$	280,120
Overweight Fines		5,057
Department of Revenue Court Costs		141,661
Crime Victims' Compensation Costs		531,724
Crime Commission Costs/Victim Witness Services Costs		376,851
Domestic Violence Costs		36,671
Emergency Medical Services Fines		32,964
DUI - ARD/EMS Fees		45,734
CAT/MCARE Fund Surcharges		259,272
Judicial Computer System		180,171
Access to Justice Fees		38,059
Offender Supervision Fees		1,891,167
Constable Service Surcharges		6
Criminal Laboratory Users' Fees		142,190
Probation and Parole Officers' Firearm Education Costs		31,595
Substance Abuse Education Costs		370,971
Office of Victims' Services Costs		30,275
Miscellaneous State Fines and Costs		<u>350,442</u>
 Total receipts (Note 2)	 \$	 4,744,930
Disbursements to Commonwealth (Note 3)		<u>(4,744,930)</u>
Balance due Commonwealth (County) per settled reports (Note 4)		-
Examination adjustment (Note 5)		<u>6,494</u>
Adjusted balance due Commonwealth (County) for the period December 5, 2005 To December 31, 2009	\$	<u><u>6,494</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
DEPARTMENT OF PROBATION SERVICES
LUZERNE COUNTY
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
DECEMBER 5, 2005 TO DECEMBER 31, 2009

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

Total disbursements are comprised as follows:

Department of Probation Services checks issued to:

Department of Revenue	\$ 4,724,360
Office of the Attorney General	789
Commonwealth of Pennsylvania	10,488
Pennsylvania Department of Corrections	2,196
Department of Transportation Fiscal Office	1,200
Department of Public Welfare	322
Fish and Boat Commission	153
Unemployment Compensation Fund	1,028
Wine and Spirits Shoppe	191
State Police	3,025
Crime Victims Compensation Assistance Program	1,035
Department of Conservation and Natural Resources	15
Department of Labor and Industry	108
Game Commission	20
Total	\$ 4,744,930

CLERK OF THE COURT OF COMMON PLEAS AND
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LUZERNE COUNTY
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
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4. Balance Due Commonwealth (County) For The Period December 5, 2005 To December 31, 2009

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. Examination Adjustment

The examination adjustment represents interest earned on Commonwealth funds during the examination period that was not remitted to the Department of Revenue.

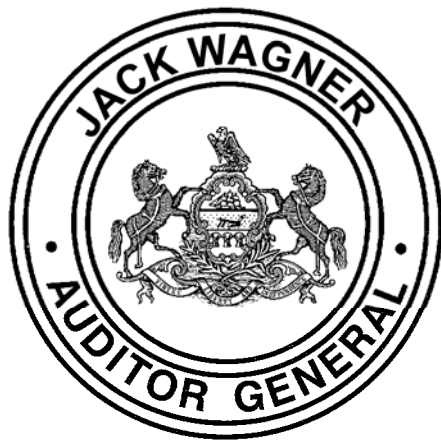
6. County Officers Serving During Examination Period

Robert F. Reilly served as the Clerk of the Court of Common Pleas for the period December 5, 2005 to December 31, 2009.

Paul McGarry served as Director of Probation Services for the period December 5, 2005 to February 6, 2007.

Larry Saba served as Director of Probation Services for the period February 7, 2007 to February 19, 2009.

Michael A. Vecchio served as Acting Director of Probation Services for the period February 19, 2009 to September 21, 2009 and Director from September 22, 2009 to December 31, 2009.



DEPARTMENT OF PROBATION SERVICES
LUZERNE COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
DECEMBER 5, 2005 TO DECEMBER 31, 2009

Finding - Inadequate Internal Controls Over The Bank Account - Department Of Probation Services

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

- There was inadequate accountability over funds held in escrow. Recorded obligations exceeded funds on hand by approximately \$23,224.
- There were 285 long outstanding checks totaling \$12,304, dated from October 29, 2007 to June 30, 2009, that were still outstanding as of December 31, 2009.

A good system of internal controls ensures that:

- The ending adjusted bank balance is reconciled with liabilities on a monthly basis and any discrepancies are immediately investigated and resolved. Since the bank account of the office is essentially an escrow account on behalf of the Commonwealth, County, and other participating entities, all available funds on hand should equal unpaid obligations.
- Adequate procedures are established to follow-up on all outstanding checks. If a check is outstanding for over 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 removed from the outstanding checklist, added back to the checkbook balance, and subsequently held in escrow for unclaimed escheatable funds.

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

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

This finding was cited in the prior examination for the period ending December 4, 2005.

Recommendation

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

DEPARTMENT OF PROBATION SERVICES
LUZERNE COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
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Finding - Inadequate Internal Controls Over The Bank Account - Department Of Probation Services (Continued)

Management's Response

The Department of Probation Services responded as follows:

This finding has been addressed by Administration and outstanding checks, printed to victims and had not been cashed, are now up to date to 2011. Appropriate monies have been transferred to escheats and will be handled according to accounting standards.

Auditor's Conclusion

This is a recurring finding. We strongly recommend that the office comply with our recommendation.

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

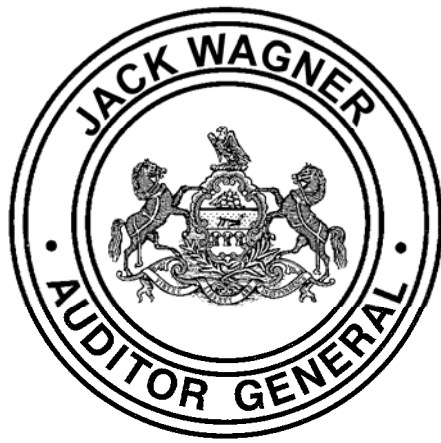
DEPARTMENT OF PROBATION SERVICES
LUZERNE COUNTY
COMMENT
FOR THE PERIOD
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Comment - Compliance With Prior Examination Recommendations

During our prior examination, we recommended:

- That the office prepare bank reconciliations on a monthly basis.
- That the office maintain a running balance in the check register.

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



CLERK OF THE COURT OF COMMON PLEAS AND
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LUZERNE COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
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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 Walter L. Griffith, Jr.	Controller
The Honorable Robert M. McCord	Pennsylvania State Treasurer
The Honorable Thomas F. Burke	President Judge
Mr. Thomas Pizano	Acting Clerk of the Court of Common Pleas
Mr. Michael A. Vecchio	Director, Department of Probation Services
Mr. Robert Lawton	County Manager

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. To view this report online or to contact the Department of the Auditor General, please access our web site at www.auditorgen.state.pa.us.