

ATTESTATION ENGAGEMENT

Clerk of the Court of Common Pleas and Collections Office/Prothonotary Lycoming County, Pennsylvania For the Period January 1, 2014 to December 31, 2017

April 2019



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Independent Auditor's Report

The Honorable C. Daniel Hassell
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, 2014 to December 31, 2017, pursuant to the requirements of Sections 401(b) and 401(d) of *The Fiscal Code*, 72 P.S. § 401(b) and § 401(d). The county office's management is responsible for presenting these statements in accordance with the criteria set forth in Note 1. Our responsibility is to express an opinion on these Statements 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Statements are presented in accordance with the criteria described above, in all material respects. An examination involves performing procedures to obtain evidence about the statements of receipts and disbursements. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material misstatement of the Statements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide 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)

In our opinion, the Statements referred to above, for the period January 1, 2014 to December 31, 2017 are presented in accordance with the criteria set forth in Note 1, in all material respects.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Statements; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the Statements. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. 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 internal control over reporting on the Statements or on compliance and other matters; accordingly, we express no such opinions.

Our consideration of internal control over reporting on the Statements was for the limited purpose of expressing an opinion on whether the Statements are presented in accordance with the criteria described above and was not designed to identify all deficiencies in internal control over reporting on the Statements that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control 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 and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency listed below to be a material weakness:

- Inadequate Internal Controls Over The Bank Account - Collections Office.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency listed below to be a significant deficiency:

- Inadequate Outstanding Check Procedures - Prothonotary.

Independent Auditor's Report (Continued)

As part of obtaining reasonable assurance about whether the Statements are free from material misstatement, we performed tests of the County Office's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of Statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, we do not express such an opinion. 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 included in this report by *Government Auditing Standards*, has been included in the finding below:

- Incorrect Disbursement Of Municipal Corporation Reimbursement Fees - Clerk of the Court.

The purpose of this report is to determine whether all moneys collected on behalf of the Commonwealth have been correctly assessed, reported and promptly remitted. This report is not suitable for any other purposes.

We appreciate the courtesy extended by the Clerk of the Court of Common Pleas and Collections Office/Prothonotary, Lycoming County, to us during the course of our examination. If you have any questions, please feel free to contact Michael B. Kashishian, CPA, CGAP, CFE, Director, Bureau of County Audits, at 717-787-1363.



Eugene A. DePasquale
Auditor General

April 1, 2019

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CLERK OF THE COURT OF COMMON PLEAS AND COLLECTIONS OFFICE
 LYCOMING COUNTY
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 JANUARY 1, 2014 TO DECEMBER 31, 2017

Receipts:

Department of Transportation		
Title 75 Fines	\$	299,084
Overweight Fines		8,700
Department of Revenue Court Costs		91,625
Crime Victims' Compensation Costs		292,752
Crime Commission Costs/Victim Witness Services Costs		194,020
Domestic Violence Costs		23,946
Emergency Medical Services Fines		19,893
DUI - ARD/EMS Fees		18,351
CAT/MCARE Fund Surcharges		105,240
Judicial Computer System/Access to Justice Fees		214,859
Offender Supervision Fees		1,096,256
Constable Service Surcharges		616
Criminal Laboratory Users' Fees		40,811
Probation and Parole Officers' Firearm Education Costs		19,992
Substance Abuse Education Costs		180,436
Office of Victims' Services Costs		42,863
Miscellaneous State Fines and Costs		<u>477,337</u>
 Total receipts (Note 2)		 3,126,781
 Disbursements to Commonwealth (Note 4)		 <u>(3,151,335)</u>
 Balance due Commonwealth (County) per settled reports (Note 5)		 (24,554)
 Examination adjustments		 <u>-</u>
 Adjusted balance due Commonwealth (County) for the period January 1, 2014 to December 31, 2017		 <u>\$ (24,554)</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, 2014 TO DECEMBER 31, 2017

Receipts:

Writ Taxes	\$	3,867
Divorce Complaint Surcharges		12,640
Judicial Computer System/Access To Justice Fees		255,455
Protection From Abuse Surcharges and Contempt Fines		200
Criminal Charge Information System Fees		<u>5,125</u>
Total Receipts (Note 2)		277,287
Commissions (Note 3)		<u>(116)</u>
Net Receipts		277,171
Disbursements to Commonwealth (Note 4)		<u>(270,490)</u>
Balance due Commonwealth (County) per settled reports (Note 5)		6,681
Examination adjustments (Note 6)		<u>(6,681)</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2014 to December 31, 2017	\$	<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, 2014 TO DECEMBER 31, 2017

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 and Collections Office

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 \$23.50 fee imposed for the filing of any legal paper to initiate a civil action or proceeding. Effective July 10, 2014, Act 126 increased the fee to \$33.50. Effective August 8, 2014, Act 113 increased the fee to \$35.50. Effective October 30, 2017, Act 40 and Act 44 increased the fee to \$40.25.

CLERK OF THE COURT OF COMMON PLEAS AND COLLECTIONS OFFICE/
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NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
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2. Receipts (Continued)

Prothonotary (Continued)

- Protection From Abuse Surcharges represent a \$100 surcharge imposed against defendants when a protection order is granted as a result of a hearing. Protection From Abuse Contempt Fines represent fines of not less than \$300 nor more than \$1,000 imposed against a defendant who is found to be in violation of a protection from abuse order.
- 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 \$8.00 for the period January 1, 2014 to December 31, 2017. 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
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4. Disbursements

Clerk Of The Court Of Common Pleas and Collections Office

Total disbursements are comprised as follows:

Clerk of the Court checks issued to:

Department of Revenue	\$ 3,147,466
Attorney General	454
Department of Human Services	692
Department of Transportation	1,661
Department of Labor & Industry	310
Liquor Control Board	752
 Total	 \$ 3,151,335

Prothonotary

Total disbursements are comprised as follows:

Prothonotary checks issued to:

Department of Revenue	\$ 265,365
Adminstrative Office of Pennsylvania Courts	5,125
 Total	 \$ 270,490

5. Balance Due Commonwealth (County) For The Period January 1, 2014 To December 31, 2017

Clerk Of The Court Of Common Pleas and Collections Office

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/
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NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
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5. Balance Due Commonwealth (County) For The Period January 1, 2014 To December 31, 2017 (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.

6. Examination Adjustment - Prothonotary

The examination adjustment represents two prior period amounts due the Clerk of the Court credits totaling \$6,681. The credits were taken on the Prothonotary Office's monthly transmittal instead of the Clerk of the Court's in December 2015.

7. County Officer Serving During Examination Period

Suzanne M. Fedele served as the Clerk of the Court of Common Pleas/Prothonotary for the period January 1, 2014 to December 31, 2017.

Thomas D. Heap served as Supervisor of the Collections Office for the period January 1, 2014 to December 31, 2017.

CLERK OF THE COURT OF COMMON PLEAS AND COLLECTIONS OFFICE/
PROTHONOTARY
LYCOMING COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2017

Finding No. 1 - Inadequate Internal Controls Over The Bank Account - Collections Office

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

- There was a \$7,203.29 difference between the adjusted bank balance and the adjusted book balance. The collections office stated that the variance is the result of stale dated checks voided in the Common Pleas Case Management System (CPCMS) that were eventually honored by the bank causing a discrepancy between the book and bank balances.
- There were three outstanding checks totaling \$687.19, dated from July 3, 2013 to May 3, 2017 that were still outstanding as of December 31, 2017.

A good system of internal controls ensures that:

- Bank statements are reconciled to the book balance on a monthly basis and any discrepancies are immediately investigated and resolved. This includes updating the office's records for previously stale dated checks that have been cashed to account for all funds.
- The office follow-up on all outstanding checks. If a check is outstanding for a period 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.

Recommendation

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

CLERK OF THE COURT OF COMMON PLEAS AND COLLECTIONS OFFICE/
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Finding No. 1 - Inadequate Internal Controls Over The Bank Account - Collections Office
(Continued)

Management's Response

The County Officer responded as follows:

CPCMS Cost/Fines Bank Account Reconciliation is completed by the Director of Central Collections office on a monthly basis. There are times when auto stale dated checks that are voided on the 12th of each month are cashed somewhere between the 1st of the month and the 12th. As a result the checks are recorded as voided in CPCMS when they have actually cleared the bank. CPCMS does not have an option to "un-void" a check and flag it as being a cleared/cashed check. This results in an inflated CPCMS book balance when comparing it to the bank statement. This has been an ongoing issue for an extended period of time.

Corrective action to be taken:

1. The Director of Central Collections will work with the Internal Accounting staff to adjust CPCMS account to reflect reconciling book balance and bank statement.
2. Further incidences regarding stale dated checks will be adjusted in CPCMS accordingly.

Auditor's Conclusion

We appreciate the officeholder's efforts to correct these issues. During our next examination, we will determine if the office complied with our recommendation.

CLERK OF THE COURT OF COMMON PLEAS AND COLLECTIONS OFFICE/
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LYCOMING COUNTY
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Finding No. 2 - Inadequate Outstanding Check Procedures - Prothonotary

Our examination of the office checking account disclosed that the office was carrying eight outstanding checks totaling \$1,219.15, dated from January 9, 2013 to July 10, 2017, that were still outstanding as of December 31, 2017.

Good internal accounting controls require that the office follow-up on all outstanding checks. If a check is outstanding for a period 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.

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

This condition existed because the office failed to establish adequate internal controls over its outstanding check procedures.

Recommendation

We recommend that the office establish and implement a procedure whereby outstanding checks are reviewed monthly to determine if there are any long outstanding checks. If checks remain outstanding and attempts to contact payees after 90 days are unsuccessful, the office should reinstate the amount of outstanding checks to the checking account and subsequently hold these monies in escrow for unclaimed escheatable funds.

Management's Response

The County Officer responded as follows:

To date, I have been escheating twice per year because of the minimal stale checks (less than 10 per year) that are received by my office. In the future, I will put in place, a standard operating procedure to escheat at least every 90 days, so that records are up to date quarterly as to the above process.

Auditor's Conclusion

We appreciate the officeholder's efforts to correct these issues. During our next examination, we will determine if the office complied with our recommendation.

CLERK OF THE COURT OF COMMON PLEAS AND COLLECTIONS OFFICE/
PROTHONOTARY
LYCOMING COUNTY
FINDINGS AND RECOMMENDATIONS
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**Finding No. 3 - Incorrect Disbursement Of Municipal Corporation Reimbursement Fees -
Clerk of Court**

Our examination found that the Clerk of Court incorrectly collected and remitted the Municipal Corporation Reimbursement Fee to the Department of Revenue for cases in which the Pennsylvania State Police (PSP) was the arresting party. During the current examination the Court remitted fees totaling \$24,554 to the Department of Revenue. In addition, the Court remitted fees totaling \$12,897 to the Department for Revenue for the period January 1, 2007 to December 31, 2010.

Pursuant to 75 Pa.C.S. 3807 (b)(vi), the county is legally authorized, as well as through any valid judicial order consistent with the statute, to collect fees in accordance with municipal corporation reimbursements. Such fees require that, “[t]he defendant must pay the reasonable costs of a municipal corporation in connection with the offense. Fees imposed . . . shall be distributed to the affected municipal corporation.” Municipal corporation is further defined in 1 P.a.C.S. § 1991 as:

- (1) When used in any statute finally enacted on or before December 31, 1974, a city, borough or incorporated town.
- (2) When used in any statute finally enacted on or after January 1, 1975, a city, borough, incorporated town or township.

Accordingly, PSP does not constitute a municipal corporation because it is not part of a city, borough, incorporated town, or township. Therefore, the Clerk of Court is not so authorized to collect municipal corporation fees, by both the order of the president judge and 75 Pa.C.S. 3807 (b)(vi), arising out of any arrest made by PSP.

Recommendations

We recommend that the Clerk of Court discontinue assessing the municipal corporation fee on cases in which the PSP is the arresting party. We further recommend that the Clerk of Court refund those fees to defendants that have paid the fee.

CLERK OF THE COURT OF COMMON PLEAS AND COLLECTIONS OFFICE/
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**Finding No. 3 - Incorrect Disbursement Of Municipal Corporation Reimbursement Fees -
Clerk of Court (Continued)**

Management's Response

The County Officer responded as follows:

Because the state does not recognize the Pennsylvania State Police as a municipality, the Clerk of Court will no longer assess the MC Reimbursement fees when the Pennsylvania State Police is listed as the arresting agency. We will also make a concerted effort to refund any fees where the defendant is able to be identified and will escheat the balance where they cannot be identified because of the expungement process.

Auditor's Conclusion

We appreciate the officeholder's efforts to correct these issues. During our next examination, we will determine if the office complied with our recommendations.

CLERK OF THE COURT OF COMMON PLEAS AND COLLECTIONS OFFICE/
PROTHONOTARY
LYCOMING COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2017

This report was initially distributed to:

The Honorable C. Daniel Hassell
Secretary
Pennsylvania Department of Revenue

The Honorable Thomas B. Darr
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 Suzanne M. Fedele
Clerk of the Court of Common Pleas/Prothonotary

The Honorable Krista B. Rogers
Controller

The Honorable R. Jack McKernan
Chairperson of the Board of Commissioners

The Honorable Nancy L. Butts
President Judge

Mr. Thomas D. Heap
Supervisor of the Collections Office

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov.