

CLERK OF THE COURT OF COMMON PLEAS AND  
PROBATION DEPARTMENT - COLLECTIONS AND DISBURSEMENT UNIT

LEBANON COUNTY

EXAMINATION REPORT

FOR THE PERIOD

JANUARY 1, 2003 TO FEBRUARY 21, 2005



## CONTENTS

	<u>Page</u>
Independent Auditor's Report .....	1
Financial Section:	
Statement Of Receipts And Disbursements.....	3
Notes To The Statement Of Receipts And Disbursements.....	4
Findings And Recommendations:	
Finding No. 1 - Inadequate Internal Controls Over The Bank Account - Probation Department - Collections And Disbursement Unit .....	7
Finding No. 2 - A Manual Receipt Log Is Not Maintained - Probation Department - Collections And Disbursement Unit.....	9
Report Distribution .....	11



## Independent Auditor's Report

The Honorable Thomas W. Wolf  
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 and Probation Department - Collections and Disbursement Unit, Lebanon County, Pennsylvania (County Officers), for the period January 1, 2003 to February 21, 2005, 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 Pennsylvania Department of Revenue and other state agencies for the period ended February 21, 2005, in conformity with the criteria set forth in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of 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 the Statement or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed certain findings that are required to be reported under *Government Auditing Standards* and those findings, along with the views of management, are described in the Findings and Recommendations section of the report.

We are concerned in light of the Probation Department's failure to correct a previously reported finding regarding outstanding check procedures. The Probation Department should strive to implement the recommendations and corrective action noted in this examination report. During our current examination, we noted several weaknesses in the internal controls over the bank account and manual receipts. These significant deficiencies increase the risk for funds to be lost, stolen, or misappropriated.

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.

May 18, 2007

JACK WAGNER  
Auditor General

CLERK OF THE COURT OF COMMON PLEAS AND  
PROBATION DEPARTMENT – COLLECTIONS AND DISBURSEMENT UNIT  
LEBANON COUNTY  
STATEMENT OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
JANUARY 1, 2003 TO FEBRUARY 21, 2005

Receipts:

Department of Transportation		
Title 75 Fines	\$	130,655
Overweight Fines		150
Department of Revenue Court Costs		55,616
Crime Victims' Compensation Costs		74,834
Crime Commission Costs/Victim Witness Services Cost		60,493
Department of Public Welfare		
Domestic Violence Costs		18,055
Costs		65
State Police Costs		373
Department of Treasury Costs		46,926
Lottery Commission Costs		48
Emergency Medical Services Fines		17,801
DUI - ARD/EMS Fees		7,584
CAT/MCARE Fund Surcharges		81,233
Judicial Computer System/Access to Justice Fees		14,114
Offender Supervision Fees		500,053
Constable Service Surcharges		177
Criminal Laboratory Users' Fees		17,125
Probation and Parole Officers' Firearm Education Costs		9,639
Substance Abuse Education Costs		38,072
Office of Victims' Services Costs		16,101
Miscellaneous State Fines and Costs		<u>63,306</u>
 Total receipts (Note 2)	 \$	 1,152,420
 Disbursements to Commonwealth (Note 3)		 <u>(1,152,258)</u>
 Balance due Commonwealth (County) per settled reports (Note 4)		  162
 Examination adjustments		 <u>-</u>
 Adjusted balance due Commonwealth for the period January 1, 2003 to February 21, 2005	 \$	 <u><u>162</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  
PROBATION DEPARTMENT – COLLECTIONS AND DISBURSEMENT UNIT  
LEBANON COUNTY  
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
JANUARY 1, 2003 TO FEBRUARY 21, 2005

1. Criteria

The Statement of Receipts and Disbursements (Statement) has been prepared in accordance with Section 401(b) of *The Fiscal Code*, 72 P.S § 401(b), which requires the Department of the Auditor General to determine whether all money collected on behalf of the Commonwealth has been remitted properly and to provide the Pennsylvania Department of Revenue (Department of Revenue) with a report to enable them to settle an account covering any delinquency.

The Statement was prepared in accordance with reporting requirements prescribed by the 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 Department of Revenue and other state agencies. 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:

Probation Office - Collections and Disbursement Unit	
checks issued to:	
Department of Revenue	\$ 1,104,846
State Police	373
Department of Public Welfare	65
Department of Treasury	46,926
Lottery Commission	<u>48</u>
Total	<u><u>\$ 1,152,258</u></u>



CLERK OF THE COURT OF COMMON PLEAS AND  
PROBATION DEPARTMENT – COLLECTIONS AND DISBURSEMENT UNIT  
LEBANON COUNTY  
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
JANUARY 1, 2003 TO FEBRUARY 21, 2005

4. Balance Due Commonwealth (County) For The Period January 1, 2003 To February 21, 2005

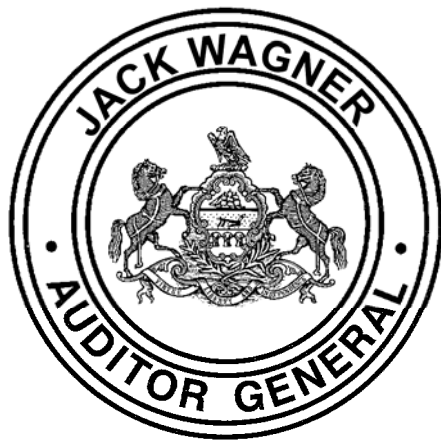
This balance reflects a summary of monthly transmittal reports as settled by the Department of Revenue.

5. County Officers Serving During Examination Period

Lisa M. Arnold served as the Clerk of The Court of Common Pleas for the period January 1, 2003 to February 21, 2005.

Jeffrey R. Imboden served as Chief Adult Probation Officer of the Probation Office for the period of January 1, 2003 to November 30, 2003.

Sally A. Barry served as Chief Adult Probation Officer of the Probation Office for the period of December 1, 2003 to February 21, 2005.



PROBATION DEPARTMENT – COLLECTIONS AND DISBURSEMENT UNIT  
LEBANON COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2003 TO FEBRUARY 21, 2005

Finding No. 1 - Inadequate Internal Controls Over The Bank Account - Probation Department -  
Collections And Disbursement Unit

Our review of the accounting records disclosed the following deficiencies in the internal controls over the bank account:

- There was no accountability over undisbursed funds. Cash on hand exceeded recorded obligations by approximately \$60,220.
- There was a \$2,285 difference between the adjusted bank balance and the adjusted book balance that could not be explained.
- There were 346 outstanding checks totaling \$8,695 dated from July 1, 2003 to November 16, 2004, that were still outstanding as of February 21, 2005.

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

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 cash on hand should equal unpaid obligations.
- Bank statements are reconciled to the book balance on a monthly basis and any discrepancies are immediately investigated and resolved.
- 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.

PROBATION DEPARTMENT – COLLECTIONS AND DISBURSEMENT UNIT  
LEBANON COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2003 TO FEBRUARY 21, 2005

Finding No. 1 - Inadequate Internal Controls Over The Bank Account - Probation Department -  
Collections and Disbursement Unit (Continued)

Without a good system of internal controls over the bank account, the potential is increased that funds could be lost, stolen, or misappropriated.

The condition relating to inadequate outstanding check procedures was cited in the prior audit for the period ending December 31, 2002.

Recommendations

We recommend that the office establish and implement an adequate system of internal controls over the bank account as noted above. Furthermore, we again recommend that the office establish adequate procedures to follow-up on all outstanding checks.

Management's Response

No formal response was offered at this time.

PROBATION DEPARTMENT – COLLECTIONS AND DISBURSEMENT UNIT  
LEBANON COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2003 TO FEBRUARY 21, 2005

Finding No. 2 - A Manual Receipt Log Is Not Maintained - Probation Department - Collections  
And Disbursement Unit

Manual receipts are available 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.

Our examination disclosed that the office did not maintain a manual receipt log to document the manual receipts that were issued.

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

The failure to maintain a manual receipt log resulted in an unclear examination trail. Good internal accounting controls ensure that a manual receipt log is maintained. A manual receipt log should be used 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.

Without a good system of internal control over receipts, the potential is increased that funds could be lost or misappropriated.

Recommendation

We recommend that the office establish and implement an adequate system of internal controls over manual receipts by maintaining a manual receipt log to document the manual receipts that were issued.

Management's Response

The Probation Department - Collections and Disbursement Unit Fiscal Supervisor responded as follows:

The Collections and Disbursement Unit (CDU), has been processing manual receipts in the same manner since (at least) April 2, 2001. The issue of a "Manual Receipt Log" was not raised in prior audits, and therefore the practice was continued. The transition to the Common Pleas Case Management System (CPCMS), does allow for this type of tracking and our manual receipts will be documented using that system.

PROBATION DEPARTMENT – COLLECTIONS AND DISBURSEMENT UNIT  
LEBANON COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2003 TO FEBRUARY 21, 2005

Finding No. 2 - A Manual Receipt Log Is Not Maintained - Probation Department - Collections  
And Disbursement Unit (Continued)

Auditor's Conclusion

As cited above, good internal accounting controls ensure that a manual receipt log is maintained. A manual receipt log should be used 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.

CLERK OF THE COURT OF COMMON PLEAS AND  
PROBATION DEPARTMENT – COLLECTIONS AND DISBURSEMENT UNIT  
LEBANON COUNTY  
REPORT DISTRIBUTION  
FOR THE PERIOD  
JANUARY 1, 2003 TO FEBRUARY 21, 2005

This report was initially distributed to:

The Honorable Thomas W. Wolf  
Secretary  
Pennsylvania Department of Revenue

Mr. Thomas J. Dougherty  
Director  
Division of Grants and Standards  
Pennsylvania Board of Probation and Parole  
1101 South Front Street, Suite 5900  
Harrisburg, PA 17104-2545

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

Clerk of The Court of Common Pleas  
Lebanon County  
Municipal Building, Room 104  
400 South Eighth Street  
Lebanon, PA 17042

The Honorable Lisa M. Arnold	Clerk of The Court of Common Pleas
The Honorable Robert M. Mettley	Controller
The Honorable William G. Carpenter	Chairman of the Board of Commissioners
Ms. Sally A. Barry	Chief Adult Probation Officer, Probation Department

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](http://www.auditorgen.state.pa.us).