



PROTHONOTARY/CLERK OF ORPHANS' COURT

MONTOUR COUNTY

AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2003 TO DECEMBER 31, 2005

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Independent Auditor's Report

The Honorable Gregory C. Fajt
Secretary
Department of Revenue
Harrisburg, PA 17128

We have audited the accompanying statements of receipts and disbursements – cash basis of the Prothonotary/Clerk of Orphans' Court, Montour County, Pennsylvania (County Officer), for the period January 1, 2003 to December 31, 2005, pursuant to the requirements of Sections 401(b), 401(d), and 902 of *The Fiscal Code*. These financial statements are the responsibility of the county offices' management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the accompanying financial statements were prepared using accounting practices prescribed by the Pennsylvania Department of Revenue, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The financial statements present only the Commonwealth portion of cash receipts and disbursements and are not intended to present fairly the financial position and results of operations of the County Officer, in conformity with accounting principles generally accepted in the United States.

Independent Auditor's Report (Continued)

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the County Officer, as of December 31, 2005, the changes in its financial position, or where applicable, its cash flows for the period then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the operations of the County Officer as it pertains to receipts made on behalf of the Department of Revenue and other state agencies, for the period January 1, 2003 to December 31, 2005, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2006 on our consideration of the County Officer's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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.

June 12, 2006

JACK WAGNER
Auditor General

PROTHONOTARY
 MONTOUR COUNTY
 STATEMENT OF RECEIPTS AND DISBURSEMENTS – CASH BASIS
 FOR THE PERIOD
 JANUARY 1, 2003 TO DECEMBER 31, 2005

Receipts:

Writ Taxes	\$	439
Divorce Complaint Surcharges		3,040
Judicial Computer System/Access To Justice Fees		8,385
Protection From Abuse Surcharges And Contempt Fines		863
Criminal Charge Information System Fees		<u>553</u>
Total receipts (Note 2)		13,280
Commissions (Note 3)		<u>(13)</u>
Net receipts		13,267
Disbursements to Commonwealth (Note 4)		<u>(13,267)</u>
Balance due Commonwealth (County) per settled reports (Note 5)		-
Audit adjustments		<u>-</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2003 to December 31, 2005	\$	<u><u>-</u></u>

Notes to the financial statements are an integral part of this report.

CLERK OF ORPHANS' COURT
 MONTOUR COUNTY
 STATEMENT OF RECEIPTS AND DISBURSEMENTS – CASH BASIS
 FOR THE PERIOD
 JANUARY 1, 2003 TO DECEMBER 31, 2005

Receipts:

Marriage License Taxes	\$	214
Marriage License Application Surcharges		4,270
Marriage License Declaration Fees		4,270
Judicial Computer System/Access To Justice Fees		<u>990</u>
Total receipts (Note 2)		9,744
Disbursements to Department of Revenue (Note 4)		<u>(9,744)</u>
Balance due Department of Revenue (County) per settled reports (Note 5)		-
Audit adjustments		<u>-</u>
Adjusted balance due Department of Revenue (County) for the period January 1, 2003 to December 31, 2005	<u>\$</u>	<u>-</u>

Notes to the financial statements are an integral part of this report.

PROTHONOTARY/CLERK OF ORPHANS' COURT
MONTOUR COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD
JANUARY 1, 2003 TO DECEMBER 31, 2005

1. Summary Of Significant Accounting Policies

Basis Of Presentation

The financial statements were prepared in accordance with the requirements of the Pennsylvania Department of Revenue. These financial statements are not intended to present either financial results of operations or financial position in conformity with generally accepted accounting principles.

Basis Of Accounting

The financial statements were prepared on the cash basis of accounting. Under this method, revenues were recognized when received and expenditures were recognized when paid.

Audit Requirement

The financial presentation has been prepared in accordance with Title 72 P.S. Section 401 (b) of *The Fiscal Code*, 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 Department of Revenue with a report to enable them to settle an account covering any delinquency. A statement of assets and liabilities was not a required part of the financial presentation because of the limited reporting scope by the Prothonotary/Clerk of Orphans' Court. Therefore, a statement of assets and liabilities was not audited and is not a part of this report.

2. Receipts

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.

PROTHONOTARY/CLERK OF ORPHANS' COURT
MONTOUR COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD
JANUARY 1, 2003 TO DECEMBER 31, 2005

2. Receipts (Continued)

Prothonotary (Continued)

- Divorce Complaint Surcharges represent a \$10.00 surcharge imposed on all divorce decrees.
- Judicial Computer System/Access To Justice Fees represent fees (\$5.00 for filings prior to November 1, 2002 and \$10.00 for filings afterwards) imposed for the filing of any legal paper to initiate a civil action or proceeding.
- Protection From Abuse Surcharges represent a \$25.00 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 \$100.00 nor more than \$1,000.00 imposed against a defendant who is found to be in violation of a protection from abuse order.
- Criminal Charge Information System Fees represent a \$5.00 fee imposed on all custody cases. Of the \$5.00 fee, \$4.00 is payable to the Administrative Office of Pennsylvania Courts (AOPC) and \$1.00 is payable to the County in which the action took place. The financial statement only reflects the portion collected on behalf of the AOPC. Effective January 1, 2005, the fee was increased to \$6.00, of which \$4.80 is payable to the AOPC.

Clerk Of Orphans' Court

Receipts consist of monies collected on behalf of the Department of Revenue. These include monies collected for the following taxes, surcharges, and fees:

- The Marriage License Tax is a \$.50 tax on all marriage licenses filed with the Clerk of Orphans' Court.
- The Marriage License Application Surcharge is a \$10.00 surcharge imposed on all marriage license applications.

PROTHONOTARY/CLERK OF ORPHANS' COURT
 MONTOUR COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE PERIOD
 JANUARY 1, 2003 TO DECEMBER 31, 2005

2. Receipts (Continued)

Clerk Of Orphans' Court (Continued)

- The Marriage License Declaration Fees is a \$13.00 fee imposed for the issuance of a marriage license or declaration and for returns thereof to the Department of Health, \$2.50 of which shall be for the use of the county where the license is issued, and \$.50 for the use of the Commonwealth (Marriage License Tax), plus \$10.00 (Marriage License/Declaration Fees). The financial statement only reflects the portion collected on behalf of the Commonwealth.
- Judicial Computer System/Access To Justice Fees represent fees (\$5.00 for filings prior to November 1, 2002 and \$10.00 for filings afterwards) imposed on all petitions for grant of letters, and first filings in petitions concerning adoptions, incompetents' estates, minors' estates, and inter vivos trusts.

3. Commissions – Prothonotary

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 Department of Revenue.

4. Disbursements

Prothonotary

Total disbursements are comprised as follows:

Prothonotary checks issued to:

Department of Revenue	\$ 12,714
Administrative Office of Pennsylvania Courts	<u>553</u>
Total	<u>\$ 13,267</u>

PROTHONOTARY/CLERK OF ORPHANS' COURT
MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD
JANUARY 1, 2003 TO DECEMBER 31, 2005

4. Disbursements (Continued)

Clerk Of Orphans' Court

Total disbursements are comprised of checks to the Department of Revenue.

5. Balance Due Department Of Revenue/Commonwealth (County) For The Period
January 1, 2003 To December 31, 2005

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 disbursed directly to the Administrative Office of Pennsylvania Courts.

Clerk Of Orphans' Court

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

6. County Officer Serving During Audit Period

Susan M. Kauwell served as the Prothonotary/Clerk of Orphans' Court for the period January 1, 2003 to December 31, 2005.

Report On Compliance And On
Internal Control Over Financial Reporting

The Honorable Gregory C. Fajt
Secretary
Department of Revenue
Harrisburg, PA 17128

We have audited the statements of receipts and disbursements – cash basis of the Prothonotary/Clerk of Orphans’ Court, Montour County, Pennsylvania (County Officer), for the period January 1, 2003 to December 31, 2005, and have issued our report thereon dated June 12, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County Officer’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County Officer’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable

Report On Compliance And On
Internal Control Over Financial Reporting (Continued)

conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County Officer's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition described in the finding is as follows:

- Inadequate Computer Controls.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

We are concerned in light of the County Officer's failure to correct a previously reported audit finding. The County Officer should strive to implement the recommendations and corrective actions noted in this audit report. We noted several significant weaknesses in the internal controls over computer controls that need corrective action. These significant deficiencies increase the risk that changes could be made to the computer data without the approval of the County Officer.

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.

June 12, 2006

JACK WAGNER
Auditor General

PROTHONOTARY/CLERK OF ORPHANS' COURT
MONTOUR COUNTY
FINDING AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2003 TO DECEMBER 31, 2005

Finding - Inadequate Computer Controls

Montour County uses a service organization (Vendor) as an Application Service Provider (ASP) to account for transactions in several offices, including the Prothonotary/Clerk of Orphans' Court (County). The County initiates and approves transactions from remote terminals in the County. These transactions are then transmitted electronically to the Vendor's computer system. The Vendor is responsible for processing all of the transactions and producing the necessary reports and accounting entries to record the receipt and distribution of funds and to prepare the financial statements.

During discussions with Vendor personnel, we learned that the Vendor has the ability to make changes to the County's data using a procedure called a Data File Utility (DFU). Use of this utility would not be recorded through the normal accounting processes and, therefore, would not generate a normal audit trail.

We also noted the following weaknesses:

- The contract agreement between the County and the Vendor relieves the vendor of any liability concerning loss of data or system functionality that may be caused by the Vendor's actions. The contract states, in part, that the vendor should not be held liable for direct, indirect, incidental, or consequential damages arising from the use or the inability to use the software. In no event shall the vendor be liable for any damages resulting from the loss of data or use, the cost of the recovery of data, the loss of profit or revenue, or the cost of substitute software. Furthermore, this agreement is dated August 24, 1995 for a term of four years commencing with the first complete month's service. It appears that this agreement expired and no documentation was provided that an updated contract was ever negotiated.
- The Vendor has unmonitored access to the County's data. The County was not monitoring the Vendor's system accesses, nor was it receiving reports to show what data may have been altered and/or accessed.

Effective security policy and practice requires the County's approval and monitoring of any computer data changes made by the vendor, particularly because of the vendor's access to critical applications.

This finding was cited in the prior audit period ending December 31, 2002.

PROTHONOTARY/CLERK OF ORPHANS' COURT
MONTOUR COUNTY
FINDING AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2003 TO DECEMBER 31, 2005

Finding - Inadequate Computer Controls (Continued)

Recommendations

We again recommend the following:

- The County negotiate an updated contract and software maintenance agreement with the vendor. During this process the County's legal counsel should consider how to protect the County's interests in the event that errors or fraud occur as a result of vendor employees accessing the County's data. The County should always maintain an updated contract so as to provide appropriate legal recourse in the event of disputes with the vendor.
- The County establish procedures to periodically generate monitoring reports that include the date, time, reason for change(s), change(s) made, and who made the change(s). The Officeholder should routinely review these reports to determine that access was appropriate and that data was not improperly altered.

Auditee Response

No formal response was offered at this time.

PROTHONOTARY/CLERK OF ORPHANS' COURT
MONTOUR COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2003 TO DECEMBER 31, 2005

This report was initially distributed to:

The Honorable Gregory C. Fajt
Secretary
Department of Revenue

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

Prothonotary/Orphans' Court
Montour County
Montour County Courthouse
Danville, PA 17821

The Honorable Susan M. Kauwell

Prothonotary/Clerk of Orphans' Court

Ms. Betty Woodruff

County Auditor

The Honorable Harold Hurst

Chairperson of the Board

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. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at www.auditorgen.state.pa.us.