

PROTHONOTARY/CLERK OF ORPHANS' COURT

BLAIR COUNTY

EXAMINATION REPORT

FOR THE PERIOD

JANUARY 1, 2006 TO DECEMBER 31, 2008



PROTHONOTARY/CLERK OF ORPHANS' COURT

BLAIR COUNTY

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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 statements of receipts and disbursements (Statements) of the Prothonotary/Clerk of Orphans' Court, Blair County, Pennsylvania (County Officer), for the period January 1, 2006 to December 31, 2008, pursuant to the requirements of Sections 401(b) and 401(d) of *The Fiscal Code*, 72 P.S. § 401(b) and § 401(d). These Statements are the responsibility of the county office's management. 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. An examination includes examining, on a test basis, evidence supporting the Statements 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 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 present, in all material respects, the operations of the County Officer 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 Statements 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 Statements are 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 Statements 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 Officer's 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 Officer's Statements that is more than inconsequential will not be prevented or detected by the County Officer's internal control. We consider the deficiencies described in the findings below to be significant deficiencies in internal control over reporting on the Statements:

- Inadequate Accountability Over Funds Held In Escrow.
- Inadequate Internal Controls Over Receipts.

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 Statements will not be prevented or detected by the County Officer's internal control. Our consideration of the internal control over reporting on the Statements 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*.

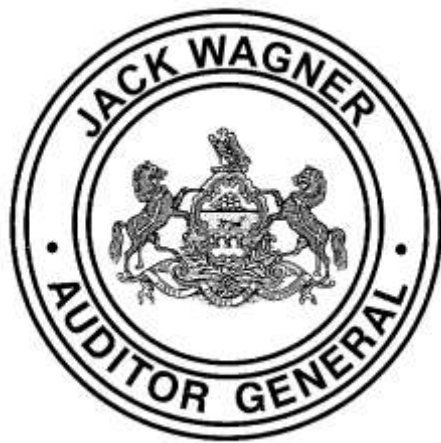
We are concerned in light of the County Officer's failure to correct a previously reported finding regarding inadequate internal controls over receipts. Additionally, during our current examination, we noted a weakness in the internal accountability over funds held in escrow. The failure to implement an adequate system of internal controls over receipts and funds held in escrow increases the risk for funds to be lost or misappropriated. The County Officer should strive to implement the recommendations 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 Officer and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Jack Wagner".

July 15, 2010

JACK WAGNER
Auditor General



PROTHONOTARY
BLAIR COUNTY
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2006 TO DECEMBER 31, 2008

Receipts:

Writ Taxes	\$ 6,143
Divorce Complaint Surcharges	12,030
Judicial Computer System/Access To Justice Fees	83,090
Criminal Charge Information System Fees	<u>4,296</u>
Total Receipts (Note 2)	105,559
Commissions (Note 3)	<u>(184)</u>
Net Receipts	105,375
Disbursements to Commonwealth (Note 4)	<u>(105,376)</u>
Balance due Commonwealth (County) per settled reports (Note 5)	(1)
Examination adjustments	<u>-</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2006 to December 31, 2008	<u><u>\$ (1)</u></u>

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

CLERK OF ORPHANS' COURT
 BLAIR COUNTY
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 JANUARY 1, 2006 TO DECEMBER 31, 2008

Receipts:

Marriage License Taxes	\$	1,157
Marriage License Application Surcharges		23,130
Marriage License Declaration Fees		23,130
Judicial Computer System/Access To Justice Fees		<u>2,760</u>
Total Receipts (Note 2)		50,177
Disbursements to Commonwealth (Note 4)		<u>(50,177)</u>
Balance due Commonwealth (County) per settled reports (Note 5)		-
Examination adjustments		<u>-</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2006 to December 31, 2008	\$	<u><u>-</u></u>

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

PROTHONOTARY/CLERK OF ORPHANS' COURT
BLAIR COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2006 TO DECEMBER 31, 2008

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

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 \$10 fee imposed for the filing of any legal paper to initiate a civil action or proceeding. These fees were temporarily increased to \$23.50 for the period December 8, 2009 to December 31, 2014.

PROTHONOTARY/CLERK OF ORPHANS' COURT
BLAIR COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2006 TO DECEMBER 31, 2008

2. Receipts (Continued)

Prothonotary (Continued)

- 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 \$6.50 for the period January 1, 2006 to December 31, 2007 and \$7.00 for the period January 1, 2008 to December 31, 2008. The statement of receipts and disbursements only reflects the portion collected on behalf of the AOPC.

Clerk Of Orphans' Court

Receipts consist of monies collected on behalf of the Commonwealth. 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 surcharge imposed on all marriage license applications.
- The Marriage License Declaration Fees is a \$13 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 (Marriage License/Declaration Fees). The statement of receipts and disbursements only reflects the portion collected on behalf of the Commonwealth.

PROTHONOTARY/CLERK OF ORPHANS' COURT
 BLAIR COUNTY
 NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 JANUARY 1, 2006 TO DECEMBER 31, 2008

2. Receipts (Continued)

Clerk Of Orphans' Court (Continued)

- Judicial Computer System/Access To Justice Fees represent a \$10 fee imposed on all petitions for grant of letters, and first filings in petitions concerning adoptions, incompetents' estates, minors' estates, and inter vivos trusts. These fees were temporarily increased to \$23.50 for the period December 8, 2009 to December 31, 2014.

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 Commonwealth.

4. Disbursements

Prothonotary

Total disbursements are comprised as follows:

Prothonotary checks issued to:

Department of Revenue	\$ 101,080
Adminstrative Office of Pennsylvania Courts	<u>4,296</u>
Total	<u><u>\$ 105,376</u></u>

Clerk Of Orphans' Court

Total disbursements are comprised as follows:

Clerk of Orphans' Court checks issued to:

Department of Revenue	<u><u>\$ 50,177</u></u>
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PROTHONOTARY/CLERK OF ORPHANS' COURT
BLAIR COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2006 TO DECEMBER 31, 2008

5. Balance Due Commonwealth (County) For The Period January 1, 2006 To December 31, 2008

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 Examination Period

Carol A. Newman served as the Prothonotary/Clerk of Orphans' Court for the period January 1, 2006 to December 31, 2008.

PROTHONOTARY/CLERK OF ORPHANS' COURT
BLAIR COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2006 TO DECEMBER 31, 2008

Finding No. 1 - Inadequate Accountability Over Funds Held In Escrow

Our examination disclosed that accountability over funds held in escrow was inadequate. At December 31, 2008, funds on hand exceeded recorded obligations in the checking account by \$11,715 in the prothonotary account and liabilities exceeded funds on hand by \$901 in the clerk of orphans' court account.

Good internal accounting control procedures ensure that the ending adjusted bank balance is reconciled with liabilities on a monthly basis and any discrepancies are immediately investigated and resolved. Since the county office bank accounts are essentially an escrow account on behalf of the Commonwealth, County, and other participating entities, all available funds on hand should equal unpaid obligations.

Without a good system of internal controls over funds held in escrow, the possibility of funds being lost or misappropriated increases significantly.

This condition existed because the office failed to establish and implement an adequate system of internal controls over funds held in escrow.

Recommendations

We recommend that the office attempt to identify the existing cash overage in the Prothonotary's office and the cash shortage in the Clerk of Orphans' Court office. Any unidentified funds should be accounted for under normal escheat procedures. Furthermore, we recommend that the office should ensure that reconciled cash equals unpaid obligations monthly.

Management's Response

No formal response was offered at this time.

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Auditor's Conclusion

We strongly recommend that the office comply with our recommendations.

PROTHONOTARY/CLERK OF ORPHANS' COURT
BLAIR COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2006 TO DECEMBER 31, 2008

Finding No. 2 - Inadequate Internal Controls Over Receipts

Our examination of the accounting records for the office disclosed the following deficiencies in the internal control over receipts:

- Of 50 receipts tested for Prothonotary collections, 16 were not deposited on the same day as collected. The time lapse from the date of receipt to the subsequent date of deposit ranged from 2 days to 11 days.
- Of 30 receipts tested for Clerk of Orphans' Court collections, 2 were not deposited on the same day as collected. The time lapse from the date of receipt to the subsequent date of deposit was two days.

Good internal accounting controls ensure that all monies collected are deposited intact on the same day as collected.

Without a good system of internal controls over funds received by the office, the possibility of funds being lost or misappropriated increases significantly.

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

This condition was cited in our last two audit periods, the most recent ending December 31, 2005.

Recommendation

We again recommend that the office deposit all receipts at the end of each day as required by good internal accounting controls.

Management's Response

No formal response was offered at this time.

Auditor's Conclusion

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

PROTHONOTARY/CLERK OF ORPHANS' COURT
BLAIR COUNTY
COMMENT
FOR THE PERIOD
JANUARY 1, 2006 TO DECEMBER 31, 2008

Comment - Compliance With Prior Audit Recommendations

During our prior audit, we recommended:

- That the office properly assess and collect the Judicial Computer System/Access To Justice Fees in accordance with the applicable statute.
- That the office establish and implement a procedure whereby outstanding checks are reviewed monthly to determine if there are any long outstanding checks.
- That the office implement computer controls that prevent voided receipt numbers from being reissued and having the ability to change the date of a receipt when being created.
- That the office establish procedures to periodically generate monitoring reports and that they take prudent steps to properly secure their production servers from unauthorized access using the remote access software published by respected authorities in the field, such as the CERT Security Module entitled "Outsourcing Managed Security Services."

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

During our prior audit, we also recommended:

- That the office transmit the Commonwealth's portion of the fines and costs as required by the Administrative Office of Pennsylvania Courts guidelines and Section 901 of *The Fiscal Code*.

Our current examination found that the office substantially complied with our prior examination recommendation. Insignificant instances of noncompliance were verbally communicated to the office.



PROTHONOTARY/CLERK OF ORPHANS' COURT
BLAIR COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2006 TO DECEMBER 31, 2008

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

The Honorable Carol A. Newman	Prothonotary/Clerk of Orphans' Court
The Honorable Robert M. McCord	Pennsylvania State Treasurer
The Honorable Richard J. Peo	Controller
The Honorable Terry Tomassetti	Chairperson of the Board of Commissioners

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