



PROTHONOTARY
CHESTER COUNTY
EXAMINATION REPORT
FOR THE PERIOD
JANUARY 1, 2005 TO DECEMBER 31, 2007

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Independent Auditor's Report

The Honorable Stephen H. Stetler
Secretary
Pennsylvania Department of Revenue
Harrisburg, PA 17128

We have examined the accompanying statement of receipts and disbursements (Statement) of the Prothonotary, Chester County, Pennsylvania (County Officer), for the period January 1, 2005 to December 31, 2007, pursuant to the requirements of Sections 401(b) and 401(d) of *The Fiscal Code*, 72 P.S. § 401(b) and § 401(d). 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 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 Statement referred to above presents, 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, 2007, 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 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 Statement that is more than inconsequential will not be prevented or detected by the County Officer's 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 Segregation Of Duties.

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 Officer's internal control. Our consideration of 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.

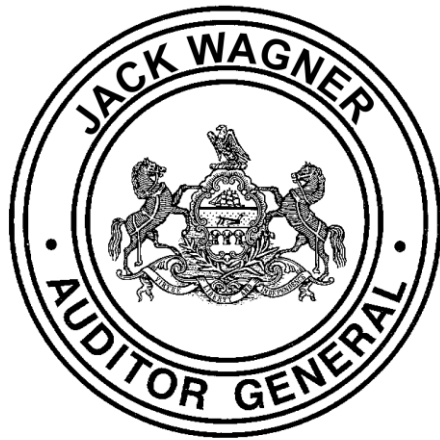
Independent Auditor's Report (Continued)

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

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.

April 14, 2009

JACK WAGNER
Auditor General



PROTHONOTARY
CHESTER COUNTY
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2005 TO DECEMBER 31, 2007

Receipts:

Writ Taxes	\$ 10,311
Divorce Complaint Surcharges	35,930
Judicial Computer System/Access To Justice Fees	276,043
Protection From Abuse Surcharges and Contempt Fines	1,450
Criminal Charge Information System Fees	<u>7,677</u>
Total Receipts (Note 2)	331,411
Commissions (Note 3)	<u>(309)</u>
Net Receipts	331,102
Disbursements to Commonwealth (Note 4)	<u>(331,226)</u>
Balance due Commonwealth (County) per settled reports (Note 5)	(124)
Examination adjustment (Note 6)	<u>528</u>
Adjusted balance due Commonwealth (County) January 1, 2005 to December 31, 2007	<u><u>\$ 404</u></u>

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

PROTHONOTARY
CHESTER COUNTY
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2005 TO DECEMBER 31, 2007

1. Criteria

The Statement of Receipts and Disbursements provides a summary of receipts and disbursements by category. The categories and the amounts of taxes, surcharges, fines, and fees 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 consist of monies 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.
- Protection From Abuse Surcharges represent a \$25 surcharge imposed against defendants when a protection order is granted as a result of a hearing. Effective May 9, 2006, the surcharge was increased to \$100. Protection From Abuse Contempt Fines represent fines of not less than \$100 nor more than \$1,000 imposed against a defendant who is found to be in violation of a protection from abuse order. Effective May 9, 2006, the fine was increased to a minimum of \$300 and maximum of \$1000.

PROTHONOTARY
CHESTER COUNTY
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2005 TO DECEMBER 31, 2007

2. Receipts (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 \$6.00 for the period January 1, 2005 to December 31, 2005, and \$6.50 for the period January 1, 2006 to December 31, 2007. 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.

4. Disbursements

Total disbursements are comprised as follows:

Prothonotary checks issued to:

Department of Revenue	\$ 323,549
Adminstrative Office of Pennsylvania Courts	<u>7,677</u>
Total	<u><u>\$ 331,226</u></u>

5. Balance Due Commonwealth (County) For The Period January 1, 2005 To December 31, 2007

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.

PROTHONOTARY
CHESTER COUNTY
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
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6. Examination Adjustment

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

7. County Officer Serving During Examination Period

Bryan D. Walters served as Prothonotary during the period January 1, 2005 to December 31, 2007.

PROTHONOTARY
CHESTER COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2005 TO DECEMBER 31, 2007

Finding - Inadequate Segregation Of Duties

Our examination disclosed that one employee in the office is either solely responsible or shares responsibility for performing the following functions:

- Collecting cash.
- Entering collections information into the computer system.
- Summarizing accounting records.
- Reconciling collections to accounting records and/or receipts.
- Reconciling the bank accounts.
- Preparing the deposit slips.
- Reconciling the validated deposit slips to accounting records as to the mix of cash and checks collected.
- Preparing checks for disbursements.

A good system of internal control requires adequate segregation of duties.

In order to achieve adequate segregation of duties, one employee should not have custody of cash and at the same time maintain the accounting records for the cash. These duties should be segregated and rotated daily. As an alternative control, someone independent from maintaining the accounting records and handling cash should review the employee's work daily. The reviewer should sign and date the records and documents reviewed.

This condition existed because office personnel duties involving the handling of funds and maintaining accounting records were not rotated daily.

Without adequate segregation of duties, the possibility of funds being lost or misappropriated increases significantly.

PROTHONOTARY
CHESTER COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2005 TO DECEMBER 31, 2007

Finding - Inadequate Segregation Of Duties (Continued)

Recommendation

We recommend that the Prothonotary provide for greater segregation of duties within the office. This can be done by rotating job functions that include the handling of cash, and maintaining the accounting records for the cash. As an alternative and/or additional control, someone independent from the handling of cash and the accounting records should review the employee's work at the end of each day. The reviewer should sign and date the records and documents reviewed.

Management's Response

The Prothonotary responded as follows:

The Prothonotary takes strong exception to this finding. Our staff's duties have been scrutinized annually by the Chester County Internal Audit. They have continually found no problems with the structure and implementation. Our office does not have the budget luxury of having more staffing, consequently, cross-training and multi-tasking work best for us.

Auditor's Conclusion

Although the office stated that they have cross-training of employees, the job functions that include the handling of cash and maintaining the accounting records for the cash were not segregated. The above mentioned recommendation needs to be followed to decrease the possibility of funds being lost or misappropriated.

PROTHONOTARY
CHESTER COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2005 TO DECEMBER 31, 2007

This report was initially distributed to:

The Honorable Stephen H. Stetler
Secretary
Pennsylvania Department of Revenue

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

Prothonotary
Chester County
2 North High Street, Suite 130
P. O. Box 2748
West Chester, PA 19380

The Honorable Bryan D. Walters

Prothonotary

The Honorable Terrence Farrell

Chairman of the Board of Commissioners

The Honorable Valentino F. DiGiorgio, III

Controller

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.