



COUNTY OF LEHIGH  
OFFICE OF THE CONTROLLER

LEHIGH COUNTY GOVERNMENT CENTER  
17 SOUTH SEVENTH STREET  
ALLENTOWN, PA 18101-2400  
(610) 782-3082 FAX: (610) 871-2897

GLENN D. ECKHART  
COUNTY CONTROLLER

JOHN A. FALK  
DEPUTY CONTROLLER

**TO:** Final Report Distribution  
**FROM:** Glenn Eckhart, County Controller *G.E.*  
**DATE:** April 11, 2014  
**RE:** Domestic Relations Section

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We have completed a financial audit of the Domestic Relations Section (DRS) for the period January 1 to September 30, 2013. Our audit report number 14-5 is attached.

The results of our audit are:

- Cash handling controls should be strengthened.
- Operating cost reimbursement requests should be reviewed by DRS management prior to submission.

Attachment

AUDITS/DOMESTIC RELATIONS

COUNTY OF LEHIGH, PENNSYLVANIA  
DOMESTIC RELATIONS SECTION

*Financial Audit for the Period  
January 1 to September 30, 2013*

REPORT NO. 14-5

COUNTY OF LEHIGH, PENNSYLVANIA  
DOMESTIC RELATIONS SECTION

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COUNTY OF LEHIGH, PENNSYLVANIA  
DOMESTIC RELATIONS SECTION

*Background*

**MISSION STATEMENT** *The Lehigh County Domestic Relations Section's mission is to provide services to dependent children and spouses through establishment of paternity and support orders and enforcement of those orders. This mission will be accomplished with respect for the needs and concerns of all parties involved in the support matter.*  
*The Domestic Relations Section provides services in compliance with State and Federal laws and regulations and local rules of Court.*

**Introduction to Domestic Relations**

The function of the Lehigh County Domestic Relations Section (D.R.S.) is to establish and collect support for children and dependent spouses.

The Domestic Relations Section consists of judges, administrators, domestic relations officers, and various technical and support staff. Client information and financial records are tracked through the state-wide PACSES (Pennsylvania Child Support Enforcement System).

The staff of the D.R.S. is trained to make recommendations to the Court for support amounts when the individuals involved are unable to agree on amounts of support, insurance coverage and medical bills. These recommendations are based on law, training and experience of staff.

Source: Domestic Relations Section website - [www.lccpa.org/family/drs/](http://www.lccpa.org/family/drs/)



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DEPUTY CONTROLLER

Julia Parker Greenwood, Director  
Lehigh County Domestic Relations Section  
Fourteen North Sixth Street  
Allentown, PA 18101

We have audited the accompanying statement of receipts, disbursements and changes in cash balance of the Domestic Relations Section (DRS) for the period January 1 to September 30, 2013 as listed in the Table of Contents. The financial statements are the responsibility of the DRS's management. Our responsibility is to express an opinion on the statement of receipts, disbursements and changes in cash balance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the generally accepted government auditing standards applicable to financial audits contained in *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 our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Also, as discussed in Note 1, the financial statements present only the DRS's financial activity and does not purport to, and does not, present fairly the assets, liabilities, and results of operations of the County of Lehigh for the period January 1 to September 30, 2013 in conformity with the cash receipts and disbursements basis of accounting.

In our opinion, the statement of receipts, disbursements and changes in cash balance referred to above present fairly, in all material respects, the financial activity arising from cash transactions of the DRS for the period January 1 to September 30, 2013, on the basis of accounting described in Note 1.

However, we noted control deficiencies or other management issues that are described in the accompanying "*Schedule of Audit Findings and Recommendations*".

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2014 on our consideration of DRS's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Glenn Eckhart  
County Controller

April 9, 2014  
Allentown, Pennsylvania

xc: William Berndt, Court Administrator  
Board of Commissioners  
Daniel McCarthy, Director of Administration  
The Honorable Carol McGinley, President Judge  
Thomas Muller, County Executive  
Timothy Reeves, Fiscal Officer  
The Honorable Michele Varricchio

COUNTY OF LEHIGH, PENNSYLVANIA  
DOMESTIC RELATIONS SECTION

*Statement of Receipts, Disbursements  
and Changes in Cash Balance  
for the Period January 1 to September 30, 2013*

(NOTE 1)

	<b>Fee Account (NOTE 2)</b>	<b>Support Account (NOTE 2)</b>	<b>Title IV- D Account (NOTE 2)</b>	<b>Total</b>
<b>Receipts (NOTE 3)</b>				
Fees	15,023			15,023
Bank Fee Reimbursement	1,854			1,854
Support Payments		1,184,599		1,184,599
Escrow Payments		26,833		26,833
Reimbursements			2,071,302	2,071,302
Incentive Payments			564,609	564,609
C&Y Assess Grant			1,575	1,575
Interest			<u>7</u>	<u>7</u>
<b>Total Receipts</b>	<u>16,877</u>	<u>1,211,432</u>	<u>2,637,493</u>	<u>3,865,802</u>
<b>Disbursements (NOTE 4)</b>				
Transfer to County	13,652		2,634,937	2,648,589
Bank Fees	2,917		1,519	4,436
Adjustments	308	112		420
Transfer to SCDU		1,171,544		1,171,544
Escrow Transfer to SCDU		9,494		9,494
Escrow Transfer to County		15,242		15,242
Other Transfers			649	649
Miscellaneous		<u>35</u>		<u>35</u>
<b>Total Disbursements</b>	<u>16,877</u>	<u>1,196,427</u>	<u>2,637,105</u>	<u>3,850,409</u>
Receipts over Disbursements	0	15,005	388	15,393
Cash Balance, January 1	<u>0</u>	<u>10,405</u>	<u>1,000</u>	<u>11,405</u>
Cash Balance, September 30	<u>0</u>	<u>25,410</u>	<u>1,388</u>	<u>26,798</u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF LEHIGH, PENNSYLVANIA  
DOMESTIC RELATIONS SECTION

*Notes to Financial Statement*  
*For the period January 1, 2013 to September 30, 2013*

**1. Summary of Significant Accounting Policy**

A. Reporting Entity

A portion of the Domestic Relations Section's (DRS) financial activity is part of the County of Lehigh's reporting entity, the Federal IV-D fund, and is subject to annual financial audit by external and state auditors.

B. Basis of Accounting

The accounting records of the County of Lehigh and the Statement of Receipts and Disbursements and Changes in Cash Balance are maintained on the cash receipts and disbursements basis of accounting. Under this basis of accounting, revenue is recognized when cash is received and expenditures are recognized when paid. This differs from Generally Accepted Accounting Principles (GAAP) which requires the accrual basis of accounting.

**2. Bank accounts**

The DRS maintains three separate bank accounts for fees, support payments, and Title IV-D reimbursements.

- A. The fee account is for petition modification fees and copy charges. Deposits are swept daily into a county bank account.
- B. The support account is for "time sensitive" support and escrow payments. Funds are swept daily into the PA Support Collections and Disbursement Unit (SCDU) account maintained by the state.
- C. The Title IV-D account is used for electronic payments from the state for monthly operating cost reimbursements and quarterly incentive bonuses. Funds are swept into a county bank account when received.



### 3. Receipts

Receipts come from the following sources:

- A. Fees – from DRS clients and/or attorneys for petition modification fees and copy charges
- B. Bank Fee Reimb – from the county for reimbursement of bank fees
- C. Support Payments – from DRS clients for support in arrears or initial support payments
- D. Escrow Payments – from DRS clients required to make support payments in advance
- E. Reimbursements – from the state for monthly operating cost
- F. Incentive Payments - from the state for quarterly incentive bonuses
- G. C & Y Assess Grant – from SCDU, paid from support funds
- H. Interest – interest earned on bank account balances

### 4. Disbursements

Disbursements are made to the following recipients:

- A. Trans to County – fees and state reimbursements transferred to county bank accounts
- B. Bank Fees – fees charged by the bank
- C. Adjustments – correction of prior period transactions
- D. Trans to SCDU – support payments electronically transferred to SCDU
- E. Escrow Trans to SCDU – escrow payments electronically transferred to SCDU
- F. Escrow Trans to County – escrow payments transferred to the county via check
- G. Other Trans – a portion of the state reimbursement transferred to other county departments
- H. Misc – transcription fee transferred to the county



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COUNTY CONTROLLER

JOHN A. FALK  
DEPUTY CONTROLLER

Julia Parker Greenwood, Director  
Lehigh County Domestic Relations Section  
Fourteen North Sixth Street  
Allentown, PA 18101

We have audited the financial statements of the DRS for the period January 1 to September 30, 2013 and have issued our report thereon dated April 9, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the generally accepted government auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

In planning and performing our audit, we considered the DRS's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the statement of receipts, disbursements and changes in cash balance, but not for the purpose of expressing an opinion on the effectiveness of the DRS's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the DRS's internal control over financial reporting.

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 misstatements on a timely basis. 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.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such as there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

As part of obtaining reasonable assurance about whether the DRS's financial statements are free of material misstatement, we performed tests of its 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 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the DRS's in a separate section titled "*Schedule of Audit Findings and Recommendations*".

DRS's response to the findings identified in our audit are included in this report. We did not audit the DRS's response and, accordingly, we do not express an opinion on it.

This report is intended solely for the information and use of management others within the County of Lehigh, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read 'Glenn Eckhart', with a stylized flourish at the end.

Glenn Eckhart  
County Controller

April 9, 2014  
Allentown, PA

COUNTY OF LEHIGH, PENNSYLVANIA  
DOMESTIC RELATIONS SECTION

*Schedule of Audit Findings and Recommendations*

1. Cash Handling Control Weaknesses

Condition: Our testing revealed weaknesses in the following cash handling areas –

- Shared access to cash bags – unlocked cash bags for backup cashiers were stored in the same cash register drawer, allowing access to funds by multiple employees;
- Funds not deposited on a timely basis or returned – payments for modification petitions were held by the cashiers pending approval of the petition by case workers; payments for disallowed petitions were returned to the remitter;
- Escrow payments not receipted;
- Duplicate receipts issued for modification petition and copy fee payments – payers receive a cash register receipt and a pre-numbered manual receipt;
- Pre-numbered manual receipts are not used in sequence; in a random sample, we found that 67 out of 136 receipts issued for the week of 6/17/13 were not included in the sequence; we were able to trace the missing receipts to the prior week's transactions;
- Funds held for other parties – transcription fees owed to court stenographers are held in the cashier's office until they are picked up by the stenographer; the payer is issued a manual receipt which is signed by the stenographer when the funds are claimed; there is no management control or oversight for this activity;
- Unidentified funds found - during our unannounced cash count on September 16, 2013, we found an envelope in the safe containing \$6; management was unable to determine the source of the funds;

Good cash handling practice, as well as the county's cash handling policy, requires immediate receipting of payments received, secure storage of funds on hand, and daily deposit of funds collected.

Recommendations: We recommend the following enhancements to the cash handling process to strengthen controls -

- Provide separate locking bank bags to the cashiers;
- Issue receipts for petition modification fees when received;
- Issue receipts for escrow payments;

- Eliminate duplicate (manual) receipts (cash register receipts provide adequate controls);
- Elimination of manual receipts will also address issue of receipts used out of sequence;
- Transcription fees should be paid directly to the stenographer; cashiers should not be responsible for handling any funds not belonging to the county;
- Unidentified funds found in safe should be deposited; also, safe contents should be examined by management on a daily basis to ensure all funds have been deposited;

Management implemented most of our recommendations when the issues were brought to their attention during the audit.

## 2. Reimbursement reports not reviewed

Condition: We found several clerical errors when tracing amounts reported on monthly Title IV-D program reimbursement reports to the relevant data sources, including: depreciation expense omitted from March 2013 report, program income omitted from February 2013 report, and incorrect program income listed in September 2013 report.

Recommendation: We recommend management review calculations before reports are submitted to the state. Incorrect reports should be amended and re-filed within the timeframe allowed by the state.

*Note: Management received notice from the Pennsylvania Department of Public Welfare that a Program Compliance Financial Audit would be conducted for the period January 1 through December 31, 2012. The objective of the audit is to evaluate DRS adherence to federal and state requirements governing the provision of child support enforcement services under Title I IV-D of the Social Security Act.*




Lehigh County Domestic Relations Section  
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Julia Parker Greenwood  
Director

610-782-3185  
610-782-3725 (fax)

**MEMORANDUM**

TO: Glenn Eckhart, County Controller

FROM: Julia Parker Greenwood, Domestic Relations Director 

RE: Domestic Relations County Financial Audit

DATE: April 9, 2014

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Attached is the response to the audit findings and recommendations presented in the draft copy of the report dated April 8, 2014. In addition, enclosed is the representation letter signed by Kathryn Longo, Peter Einfalt and me, as you requested.

Thank you.

cc: William Berndt, Court Administrator

**Lehigh County Domestic Relations Section  
Response to Audit Findings and Recommendations**

**(Audit Period – January 1-September 30, 2013)**

1. Cash Handling Control Weaknesses

- Shared Access to cash bags – All cashiers now have their own locking cash bag. One key is with the worker, the other is locked in the accountant's office.
- Funds not deposited timely – This practice was ended and we no longer hold petitions for review by Intake. Cashiers know to post all money received prior to the end of the work day, except for transcription fees.
- Escrow Payments not receipted – Procedures for recording escrow payments have been modified and these payments are now being processed through the DRS cash register coded as an escrow payment.
- Duplicate receipts – The DRS ended the practice of creating a two-ply numbered manual receipt for fees. The cash register receipt is the only receipt created and provided to the client.
- Two-ply manual receipts were not in sequence – These are no longer being used.
- Funds held for other parties – Transcription fees owed to the court reporter continue to be collected through the payment window; however the DRS only accepts checks and money orders now. Cash is no longer being collected. Receipts are provided when payment is dropped off and the court reporter must sign a log when picking up the checks/money orders. The DRS Accountant and Deputy Director will spot check the receipt book for any irregularities.
- Unidentified funds in the safe – The employee responsible for putting together the daily deposit will inspect the safe daily to make sure that only the money bags and items related to the deposit are in the safe. The DRS Accountant and Deputy Director will spot check the safe to make sure that no other funds are present.

2. Reimbursement Reports not Reviewed

Corrections have been made for the errors found and amended reports submitted to the state. Written procedures are now in place for completing all Title IV-D reports. The Deputy Director will review the monthly reports for accuracy.