



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 ECKHART
COUNTY CONTROLLER

JOHN A. FALK
DEPUTY CONTROLLER

TO: Final Report Distribution
FROM: Glenn Eckhart, County Controller *G.E.*
DATE: September 10, 2013
RE: Audit of Clerk of Judicial Records-Civil Division

We have completed our financial audit of Clerk of Judicial Records-Civil Division for the years ended December 31, 2010, 2011, and 2012. Our audit report number 13-49 is attached.

The results of our audit are:

- The County of Lehigh received the proper amounts due from the Clerk of Judicial Records-Civil Division.
- Certain accounts used in monthly reconciliations are recorded manually and are not inclusive on system reports.
- Certain revenues generated in the Clerk of Judicial Records offices are co-mingled and not accounted separately in the County of Lehigh's accounting system.

Attachment

COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF JUDICIAL RECORDS - CIVIL DIVISION

*Financial Audit for the Years Ended
December 31, 2010, 2011, and 2012*

REPORT NO. 13-49

COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF JUDICIAL RECORDS-CIVIL DIVISION

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COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF JUDICIAL RECORDS-CIVIL DIVISION

*Background**

The Clerk of Judicial Records–Civil Division is responsible for maintaining complete, accurate and up-to-date file records for the Civil Court system in accordance with existing laws and remain current with all new legislation. To fulfill this responsibility, it is the mission of the Clerk of Judicial Records – Civil Division to provide various services to the Courts, attorneys, other government agencies and the general public. It is our goal to maintain efficient quality services. The objectives to meet this goal are the timely completion and submission of all required reports to various agencies of the Court system and to receive, process and maintain complete and accurate records of all moneys received by the Clerk of Judicial Records, including moneys collected on behalf of individuals and held in escrow for the Court. The Clerk of Judicial Records is an integral part of the Lehigh County Court System.

*Source: 2013 Budget Narrative prepared by the Clerk of Judicial Records.



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GLENN ECKHART
COUNTY CONTROLLER

JOHN A. FALK
DEPUTY CONTROLLER

Andrea E. Naugle, Clerk of Judicial Records
Lehigh County Courthouse
455 West Hamilton Street
Allentown, PA 18101-1614

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balance of the Clerk of Judicial Records-Civil Division for the years ended December 31, 2010, 2011, and 2012 as listed in the Table of Contents. The financial statements are the responsibility of the Clerk of Judicial Records-Civil Division'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 Clerk of Judicial Records-Civil Division 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 years ended December 31, 2010, 2011, and 2012 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 Clerk of Judicial Records-Civil Division for the years ended December 31, 2010, 2011, and 2012, 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 August 28, 2013 our consideration of the Clerk of Judicial Records-Civil Division'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.

A handwritten signature in purple ink, appearing to read 'Glenn Eckhart', written in a cursive style.

Glenn Eckhart
County Controller

August 28, 2013
Allentown, Pennsylvania

xc: William B. Berndt, Court Administrator
Board of Commissioners
Matthew T. Croslis, County Executive
Brian L. Kahler, Fiscal Officer
The Honorable Carol K. McGinley, President Judge
Troy Stone, Chief Information Officer
Kathleen M. Warren, Software Development Manager

COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF JUDICIAL RECORDS-CIVIL DIVISION

*Statement of Receipts, Disbursements, and
Changes in Cash Balance for the
Years Ended December 31, 2010, 2011, and 2012*
(NOTE 1)

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Receipts:			
Fees	\$2,306,831	\$2,059,994	\$2,128,071
Escrow (NOTE 2)	257,926	1,066,909	1,783,859
Individual Escrow (NOTE 2)	76,176	1,050,548	195,748
Interest, Commissions, and Other Revenues	<u>983</u>	<u>944</u>	<u>659</u>
Total Receipts	2,641,916	4,178,395	4,108,337
Disbursements:			
County of Lehigh	1,864,095	1,635,524	1,694,754
PA Department of Revenue	443,719	425,414	433,976
Escrow Account (NOTE 2)	256,886	1,135,691	1,776,206
Individual Escrow Account (NOTE 2)	<u>234,251</u>	<u>218,648</u>	<u>890,399</u>
Total Disbursements	2,798,951	3,415,277	4,795,335
Receipts Over/(Under) Disbursements – Escrow	1,040	(68,782)	7,653
Receipts Over/(Under) Disbursements – County	0	0	0
Receipts Over/(Under) Disbursements – Individual Escrow	<u>(158,075)</u>	<u>831,900</u>	<u>(694,651)</u>
Total Receipts Over/(Under) Disbursements	(157,035)	763,118	(686,998)
Cash Balance Individual Escrow Account, January 1	265,475	107,400	939,300
Cash Balance Escrow, January 1	99,606	100,646	31,864
Cash Balance County, January 1	<u>0</u>	<u>0</u>	<u>0</u>
Total Cash Balance, January 1.....	365,081	208,046	971,164
Cash Balance Individual Escrow Account, December 31	107,400	939,300	244,649
Cash Balance Escrow, December 31	100,646	31,864	39,517
Cash Balance County, December 31	<u>0</u>	<u>0</u>	<u>0</u>
Total Cash Balance, December 31	<u>\$ 208,046</u>	<u>\$ 971,164</u>	<u>\$ 284,166</u>

The accompanying notes are an integral part of this statement.

COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF JUDICIAL RECORDS - CIVIL DIVISION

*Notes to Financial Statements
for the Years Ended December 31, 2010, 2011, and 2012*

1. **Summary of Significant Accounting Policies**

A. Reporting Entity

The Clerk of Judicial Records-Civil Division's financial activity is a part of the County of Lehigh's reporting entity, included in the general fund and is subject to annual financial audit by external auditors. This report is only for internal audit purposes.

B. Basis of Accounting

The accounting records of the County of Lehigh and the Statement of Receipts, 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.

C. Change in Computer Software

Clerk of Judicial Records-Civil Division began using a new computer software called "Odyssey" in October 2006. This computer software replaced the county developed software in KEA. The name "Odyssey" is a trademark/registered trademark of Tyler Technologies, Inc., the company who developed it. The County of Lehigh pays a monthly fee to Tyler Technologies, Inc. to use "Odyssey".

2. **Account Classifications**

Escrow Accounts – These monies represent legally disputed amounts deposited pursuant to statute or court order, held pending adjudication and subsequent disbursement by court order. Also included are amounts representing prepayment of anticipated court-related service costs, which are disbursed by local rule. The clerk of judicial records-civil division administers the collection and payment of these court-related costs.

Individual Escrow Accounts – These monies are deposited into a separate individual interest bearing bank account and disbursed by court order only. These amounts represent legally disputed amounts pending adjudication of the dispute.



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GLENN ECKHART
COUNTY CONTROLLER

JOHN A. FALK
DEPUTY CONTROLLER

Andrea E. Naugle
Clerk of Judicial Records
Lehigh County Courthouse
455 West Hamilton Street
Allentown, PA 18101-1614

We have audited the financial statements of the Clerk of Judicial Records-Civil Division for the years ended December 31, 2010, 2011, and 2012 and have issued our report thereon dated August 28, 2013. 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 Clerk of Judicial Records-Civil Division'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 Clerk of Judicial Records-Civil Division's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clerk of Judicial Records-Civil Division'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 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 that there is 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 Clerk of Judicial Records-Civil Division'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*.

The Clerk of Judicial Records-Civil Division's response to our audit is included in this report. We did not audit the Clerk of Judicial Records-Civil Division's response and, accordingly, we do not express an opinion on it.

This report is intended solely for the information and use of management and other affected county offices 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 dark ink, appearing to read 'Glenn Eckhart', written in a cursive style.

Glenn Eckhart
County Controller

August 28, 2013
Allentown, Pennsylvania

COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF JUDICIAL RECORDS-CIVIL DIVISION

Schedule of Audit Findings and Recommendations

1. System Deficiencies

Condition: The following system related issues were uncovered during the audit:

Odyssey (Civil Divisions Third Party Accounting and Case Management System) -

- Odyssey does not include accounts for cash overages and shortages on system generated reports. These amounts have been penciled in during daily and month-end reconciliations.
- Cash composition is not detailed on the “receipt journal by fund and fee code” report generated by Odyssey. However, it is detailed on a separate, unnamed report.

KEA (Lehigh County Accounting System) -

- The Civil, Criminal, and Register of Wills Divisions of the Clerk of Judicial Records are accounted for under one department – The Clerk of Judicial Records. Certain revenues such as return checks fees, other departmental earnings, and cash overages and shortages generated within each office of the Clerk of Judicial Records are combined and not designated as separate office receipts.

Recommendation: Management of the Clerk of Judicial Records – Civil Division should implement the following:

1. Since Odyssey is the office’s formal accounting system and case management software, management should request Tyler Technologies develop and implement a chart of accounts which mirrors each account used by the County of Lehigh’s accounting system (KEA). This ensures proper recordkeeping and reconciliation between the County of Lehigh’s accounting system and the Civil Divisions daily cash receipts. Overages and shortages should be recorded and reported electronically using Odyssey’s accounting functions.
2. To facilitate efficiency in daily and monthly reconciliation procedures, daily financial data (receipts generated, cashier and cash register designation, and the composition of cash/credit received) should be inclusive in one report (receipt journal by fund and fee code report).
3. Management should request that the County of Lehigh separate the Clerk of Judicial Records - Civil, Criminal, and Register of Wills Divisions’ accounts to ensure monies generated in each office are properly accounted for. If separate account designations cannot be created, daily receipts generated in the Civil Division and transmitted to the Fiscal Office should be designated specifically as Civil Division receipts to ensure a proper audit trail exists for all revenues generated.

Lehigh County Clerk of Judicial Records
ANDREA E. NAUGLE

Civil Division

(610) 782-3148

Recorder of Deeds

Division

(610) 782-3162

Lehigh County Courthouse
455 W. Hamilton Street - Room 122
Allentown, PA 18101-1614

Criminal Division

(610) 782-3077

Register of Wills

Division

(610) 782-3170

August 28, 2013

Mr. Glenn Eckhart
Lehigh County Controller
Lehigh County Government Center
17 S. Seventh Street
Allentown PA 18101

Re: Audit of Clerk of Judicial Records – Civil Division

Dear Mr. Eckhart:

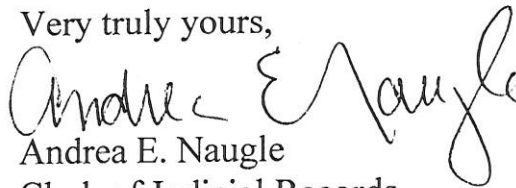
In response to the audit by your office of the Civil Division, we offer the following comments:

“Odyssey does not include accounts for cash overages and shortages on system generated reports. These amounts have been penciled in during daily and month-end reconciliations.” -- This issue is a computer program issue which was addressed in 2006 with our Information Technology (I.T.) Department and it was listed as an issue and placed on a list of requests for the Odyssey Computer Program updates. The bookkeeper lists it on the monthly reports since it does not appear on the printed reports – she obtains the information from the daily receipts. We will again request I.T. to see what the status is of this request. We must note that all upgrades or changes are completed with a cost attached.

“Cash composition is not detailed on the ‘receipt journal by fund and fee code’ report generated by Odyssey. However, it is detailed on a separate unnamed report.” -- This was never an issue before by the auditor. The information is available on the daily till and detailed receipts and can certainly be obtained by the auditor. These reports will be printed for future audits.

“The Civil, Criminal, and Register of Wills Divisions of the Clerk of Judicial Records are accounted for under one department – The Clerk of Judicial Records. Certain revenues such as return checks fees, other departmental earnings, and cash overages and shortages generated with each office of the Clerk of Judicial Records are combined and not designated as separate office receipts.” – This was completed by the County’s administration and Fiscal Office effective with the elimination of the Clerk of Courts, Recorder of Deeds and Register of Wills elected positions and the new position of the Clerk of Judicial Records. The Recorder of Deeds’ budget and all line items associated with its revenue and expenditures remained separate. The Register of Wills information was combined with the Civil and Criminal Divisions. (It also should be noted that the Civil and Criminal Divisions were already combined back to 1978 when the original Home Rule Charter combined the Prothonotary [Civil] and the Clerk of Courts [Criminal] into one position known as the Clerk of Courts.) It has always been added responsibilities on the separate divisions to decipher monthly the various combined items and to designate for each monthly report the amounts in order to complete the end of the month balances and reports.

This matter is not under the control of the Clerk of Judicial Records and can only be corrected by the Administration or Fiscal Officer.

Very truly yours,

Andrea E. Naugle
Clerk of Judicial Records



COUNTY OF LEHIGH
Office of Fiscal Affairs

Brian L. Kahler
Fiscal Officer

TO: Glenn Eckhart, County Controller
FROM: Brian L. Kahler, ^{*BK*}Fiscal Officer
DATE: September 10, 2013
RE: Audit of Judicial Records – Civil Division

The Fiscal Office has created separate accounts for Civil and Criminal Divisions as requested.

33241 Cash Over - Customer – Civil
33242 Cash Over – Teller – Civil
33243 Cash Shortage – Customer – Civil
33244 Cash Shortage – Teller – Civil

Accounts 33176 Return Check fees and 35111 Interest will remain the same.

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