



COUNTY OF LEHIGH
OFFICE OF THE CONTROLLER

LEHIGH COUNTY GOVERNMENT CENTER
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GLENN ECKHART
COUNTY CONTROLLER

JOHN A. FALK
DEPUTY CONTROLLER

TO: Final Report Distribution
FROM: Glenn Eckhart, County Controller *G.E.*
DATE: October 21, 2013
RE: Audit of Clerk of Judicial Records-Criminal Division

We have completed our financial audit of Clerk of Judicial Records-Criminal Division for the years ended December 31, 2010, 2011, and 2012. Our audit report number 13-53 is attached.

The results of our audit are:

- The County of Lehigh received the proper amounts due from the Clerk of Judicial Records-Criminal Division.
- Judicial Records management has implemented all prior audit recommendations including "positive pay" protection over checks issued.
- Stale checks should be voided in a more timely basis.

Attachment

AUDITS/CJR-CRIMINAL DIVISION

COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF JUDICIAL RECORDS – CRIMINAL DIVISION

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

REPORT NO. 13-53

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

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Clerk of Judicial Records' Response	No Response

COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF JUDICIAL RECORDS – CRIMINAL DIVISION

Background*

The Criminal Division maintains all criminal related Court records and is responsible for the following:

1. Process case records for Adult and Juvenile criminal matters:
2. Collect bail (cash only for monetary bail), issue and distribute refunds, and maintain all records with respect to bail deposits. Maintain record of bail bond agencies: (Bail guidelines)
3. Accept, process and record the filings of appeals to Higher Courts: (Notice of Appeal)
4. Assess court costs and prepare Certificate of Costs according to law for Lehigh County Bureau of Collections:
5. Accept, process and record the filing of Summary Appeals: (Summary Appeal)
6. Accept, process and record the filing of Road Dockets:
7. Record and docket Administrative Court Orders:
8. Process, issue, and record Private Detective Licenses and Bonds: (Requirements for Private Detective)
9. Process Forfeitures:
10. Process, issue, and record Constables and Deputy Constables Bonds (appointed and elected):
11. Process, issue, and record Tax Collectors Bonds, Oaths, and Appointment (appointed and elected):
12. Accept, process and record the filing of criminal Expungements: (Expungement)
13. Certify criminal court records:
14. Accept, process and record miscellaneous criminal motions and petitions such as liquor license appeals, municipal matters, etc.

Court Clerks perform various Courtroom duties during Court sessions including administering oaths to witnesses and defendants, document the Court's dictation of orders and other proceedings (guilty pleas, ARD, DUI, bail, Gagnon hearings, etc.). Upon completion of the Court proceedings the Clerk immediately docket the information into the case management system.



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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-Criminal 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-Criminal 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-Criminal 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-Criminal 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 October 18, 2013 on our consideration of the Clerk of Judicial Records-Criminal 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 black ink, appearing to read 'Glenn Eckhart', written in a cursive style.

Glenn Eckhart
County Controller

October 18, 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

COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF JUDICIAL RECORDS-CRIMINAL 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:			
Cash Bail	\$ 415,119	\$ 392,370	\$ 363,576
Common Pleas Fees	80,598	79,363	79,087
Interest	2,043	1,945	1,217
Customer Overages	<u>390</u>	<u>108</u>	<u>331</u>
Total Receipts	<u>498,150</u>	<u>473,786</u>	<u>444,211</u>
Disbursements:			
Refund of Cash Bail and Customer Overages	405,886	232,911	278,249
County of Lehigh (NOTE 2)	<u>209,515</u>	<u>178,039</u>	<u>212,026</u>
Total Disbursements	<u>615,401</u>	<u>410,950</u>	<u>490,275</u>
Excess of Receipts Over/(Under) Disbursements	(117,251)	62,836	(46,064)
Cash Balance, January 1	<u>319,139</u>	<u>201,888</u>	<u>264,724</u>
Cash Balance, December 31 (NOTE 3)	\$ 201,888	\$ 264,724	\$ 218,660

The accompanying notes are an integral part of this statement.

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

Notes to Financial Statement
For the Years Ended December 31, 2010, 2011 and 2012

1. **Summary of Significant Accounting Policies**

A. Reporting Entity

The Clerk of Judicial Records-Criminal 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 for the years ended December 31, 2010, 2011 and 2012 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. **County of Lehigh**

Disbursements to the County of Lehigh include 10% bail program fees, office fees, handling fees for bail money paid into court, bail forfeitures, private detective licenses, and interest earned.

3. **Cash Balance, December 31**

The December 31 cash balance is comprised of:

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Escrow Checking Account	\$ 201,888	\$264,724	\$218,660

On March 17, 2011 \$1,000 was transferred from the operating fund to the bail account to cover a cash shortage. The shortage was created when funds were missing from cash collected on July 22, 2010. An investigation was conducted by the District Attorney's Office to determine the source of the loss. After the loss was discovered management implemented additional cash handling controls.



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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-Criminal Division for the years ended December 31, 2010, 2011, and 2012 and have issued our report thereon dated October 18, 2013 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-Criminal 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-Criminal Division's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clerk of Judicial Records-Criminal 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-Criminal 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*.

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 black ink, appearing to read 'Glenn Eckhart', with a long horizontal flourish extending to the right.

Glenn Eckhart
County Controller

October 18, 2013
Allentown, Pennsylvania

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

Schedule of Audit Findings and Recommendations

1. Stale checks

Condition: Seven out of 842 checks issued between 2010 and 2012 were outstanding for over six months.

Good cash handling practice includes voiding stale checks in a timely manner.

Recommendation: Management should ensure checks not cashed after two months from issue date are voided and either re-issued or escheated.

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

Schedule of Prior Audit Findings and Recommendations

1. Office Fee Schedule Not Updated

Condition: Currently, the management of the clerk of judicial records-criminal division is using an office fee schedule that has not been updated since January 2, 2008.

Recommendation: The management of the clerk of judicial records-criminal division should update the office fee schedule. The updated fee schedule should be in line with what other counties in Pennsylvania currently charge for their services.

Current Status: Fee schedule was updated January 3, 2011.

2. Lack of Management Review of the report "Disbursed and Undisbursed Escrow Detail"

Condition: The management of the clerk of judicial records-criminal division does not review the report "Disbursed and Undisbursed Escrow Detail" for escheatable, forfeited funds or funds that should be returned to the surety. This report details all bail monies being held by the clerk of judicial records-criminal division for defendants awaiting trial. Currently, only the bail clerk reviews this report on an ongoing basis.

Recommendation: The management of the clerk of judicial records-criminal division should review and initial the report "Disbursed and Undisbursed Escrow Detail" on a monthly basis.

Current Status: Recommendation has been implemented.

3. Cash Management Issues

Condition: The management of the clerk of judicial records-criminal division handles all the day-to-day cash management functions of the office (cash receipts, banking, account reconciliation, cash disbursements). Adequate internal control requires separation of cash management functions. For other county offices, this is accomplished by having the banking relationships, the daily cash management, and accounts payable process performed by the county office of fiscal affairs. We were informed by the clerk of judicial records that centralizing routine cash management functions with the office of fiscal affairs is not a viable option. This situation results in duplicative functions being performed by clerk of judicial records personnel (check preparation, bank account reconciliation, etc.). Also, certain issues persist that need to be addressed:

- Computer systems for the clerk of judicial records did not allow for positive pay. This routine control automatically compares an electronic record of all checks issued with the bank's record of checks presented for payment effectively preventing check fraud.
- The clerk of judicial records might be able to earn more interest if the dollars are placed under the umbrella of the county.

Recommendation: The management of the clerk of judicial records-criminal division should:

- Establish a positive pay system for disbursements as soon as possible.
- Consult with the county fiscal officer to discuss other investment opportunities that are available. Clerk of judicial records-criminal division's funds should receive the same interest rate the county fiscal office receives.

Current Status: Recommendation has been implemented.