




COUNTY OF LEHIGH  
OFFICE OF THE CONTROLLER

LEHIGH COUNTY GOVERNMENT CENTER  
17 SOUTH SEVENTH STREET  
ALLENTOWN, PA 18101-2400  
(610) 782-3082 FAX: (610) 820-3335

THOMAS SLONAKER  
COUNTY CONTROLLER

JOHN A. FALK  
DEPUTY CONTROLLER

**TO:** Final Report Distribution  
**FROM:** Thomas Slonaker, County Controller   
**DATE:** March 30, 2011  
**RE:** Audit of Clerk of Judicial Records-Civil Division

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We have completed our financial audit of Clerk of Judicial Records-Civil Division for the years ended December 31, 2008 and 2009. Our audit report number 11-7 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.
- Lost poundage (fees paid into court) amounting to \$1,335.
- Lack of management review of the monthly "Money in Escrow Report".
- Non-Sufficient Funds (NSF) checks are not removed from "Odyssey" the office's computer software.
- The management of the clerk of judicial records-criminal and civil divisions (five individuals) are listed as signatories on the individual escrow accounts.

Prior year finding – positive pay for disbursements still remains unresolved.

Attachment

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

*Financial Audit for the Years Ended  
December 31, 2008 and 2009*

REPORT NO. 11-07

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: 2009 Budget Narrative prepared by the Clerk of Judicial Records.



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THOMAS SLONAKER  
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, 2008 and 2009 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 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, 2008 and 2009 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, 2008 and 2009, 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*" and "*Schedule of Prior Audit Findings and Recommendations*".

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2011 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.



Thomas Slonaker  
County Controller

March 25, 2011  
Allentown, Pennsylvania

xc: Board of Commissioners  
Donald T. Cunningham, Jr., County Executive  
Brian L. Kahler, Fiscal Officer  
The Honorable Carol K. McGinley, President Judge  
Susan T. Schellenberg, Court Administrator  
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, 2008 and 2009*  
(NOTE 1)

	<u>2008</u>	<u>2009</u>
Receipts:		
<i>Fees</i>	\$1,938,268	\$2,166,127
<i>Escrow/Individual Escrow Accounts</i>	524,134	365,074
<i>Customer Overages</i>	3,163	3,892
<i>Interest</i>	1,057	266
	-----	-----
Total Receipts .....	2,466,622	2,535,359
	-----	-----
Disbursements:		
<i>County of Lehigh</i>	1,728,025	1,933,708
<i>Other (Note 2)</i>	511,026	258,621
<i>Commonwealth of Pennsylvania</i>	213,549	235,234
	-----	-----
Total Disbursements .....	2,452,600	2,427,563
	-----	-----
Receipts Over (Under) Disbursements	14,022	107,796
Cash Balance, January 1	243,283	257,305
	-----	-----
Cash Balance, December 31 (NOTE 3)	\$ 257,305	\$ 365,101
	=====	=====

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, 2008 and 2009*

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. **Other**

Other disbursements include the court-ordered distributions of "individual escrow accounts" and the distributions from the office escrow account.

3. **Cash Balance, December 31**

*Regular Account* – The majority of the receipts are from office fees. Other receipts include passport fees, photocopy fees, and state fees. Office fees collected are disbursed to the county. The Pennsylvania Department of Revenue receives the state fees that are collected.



Escrow Accounts – These monies represent legally disputed amounts deposited pursuant to statute or court order, held pending adjudication and 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 in separate bank accounts and disbursed by court order only. These amounts represent legally disputed amounts pending adjudication of the dispute.

	<u>2008</u>	<u>2009</u>
Regular Account	\$ -0-	\$ -0-
Escrow Account	63,857	99,626
Individual Escrow Accounts	<u>193,448</u>	<u>265,475</u>
 TOTAL .....	 <u>\$257,305</u>	 <u>\$365,101</u>



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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 financial statements of the Clerk of Judicial Records-Civil Division for the years ended December 31, 2008 and 2009 and have issued our report thereon dated March 25, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the 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 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 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*.

We noted certain matters that we reported to management of the Clerk of Judicial Records-Civil Division in a separate section titled "*Schedule of Audit Findings and Recommendations*" and "*Schedule of Prior Audit Findings and Recommendations*".

Clerk of Judicial Records-Civil Division's response to our audit is included in this report. We did not audit 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 black ink, appearing to read 'Thomas Slonaker', written in a cursive style.

Thomas Slonaker  
County Controller

March 25, 2011  
Allentown, Pennsylvania

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

*Schedule of Audit Findings and Recommendations*

1. Lost Poundage (\$1,335)

**Condition:** The clerical specialist in charge of handling the offices' finances did not to take out the poundage (the handling fee for monies paid into court) for 2007-C-4021 in the amount of \$1,335. Per the management of the clerk of judicial records- civil division "the case is closed and we can't go back to the litigants and get the poundage back."

It is possible , that other poundage may have been lost in cases involving rental payments, payment of debt, condemnation of property and wage attachments.

In order to clarify cases where poundage is due the county, the Chief Deputy, Clerk of Judicial Records-Civil Division has requested the Department of Law to identify which types of cases are subject to poundage.

**Recommendation:** After clarifying cases on which poundage is due, the management of the clerk of judicial records- civil division should review and initial all cases to determine poundage is properly charged before the funds are actually paid out.

2. Signatories -"Individual Escrow Accounts"

**Condition:** The management of the clerk of judicial records- civil and criminal divisions (five individuals) are the signatories listed on the "individual escrow accounts". An "individual escrow account" is a separate bank account where funds are held pending adjudication of the dispute. Any two of the authorized signatories could close an "individual escrow account" without the knowledge of the Clerk of Judicial Records.

**Recommendation:** Since individual account disbursements are not subject to the independent review of the county fiscal office/controller's office , we recommend the Clerk of Judicial Records personally go the bank to close any "individual escrow account". In addition, there should only be two authorized signatories on all "individual escrow accounts" (Clerk of Judicial Records and the Chief Deputy- Clerk of Judicial Records- Civil Division).

3. Lack of Management Review of the monthly "Money in Escrow" Report

**Condition:** The management of the clerk of judicial records-civil division does not review on a regular basis, the monthly report "Money in Escrow" for escheatable funds or funds that should be returned to either the defendant or the plaintiff. A review of the December 2009 "Money in Escrow" report (\$99,607), we noted that \$3,722 was being held that could either be escheated to the Commonwealth of Pennsylvania or returned to either the defendant or the plaintiff. As of November 30, 2010, the entire \$3,722 is still being held. Also, the management of the clerk of judicial records – civil division fills out the annual Commonwealth of Pennsylvania escheat report.

**Recommendation:** The management of the clerk of judicial records-civil division should review and initial the report "Money in Escrow" on a monthly basis for refunds and escheatable funds. The escheatable funds should be turned over to the Office of Fiscal Affairs. The preparation of the annual Commonwealth of Pennsylvania escheat report should be turned over to the Office of Fiscal Affairs.

4. NSF Checks Received Are Not Removed From Odyssey

**Condition:** The management of the clerk of judicial records-civil division does not remove NSF checks received in the normal course of business from "Odyssey", the office's computer software.

**Recommendation:** All NSF checks received should be removed immediately on notice from the bank from Odyssey.

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

*Schedule of Prior Audit Findings and Recommendations*

1. Cash Management Issues

**Condition:** The management of the clerk of judicial records-civil 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 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 courts might be able to earn more interest if the dollars are placed under the umbrella of the county.

**Recommendations:** The management of the clerk of judicial records-civil division should:

1. Establish a positive pay system for disbursements as soon as possible.
2. Consult with the county fiscal officer to discuss other investment opportunities available. Civil division's funds should receive the same interest rate the county fiscal office receives.

**Current Status:** Management is now receiving the same interest rate the county fiscal office receives. The positive pay system for disbursements still remains unresolved.

2. Funds Held in Escrow Not Reconciled with Bank Account Balance

**Condition:** Management does not reconcile monthly, the total of the funds listed on the "Money In Escrow" report with the bank account balance. Currently, the "Money in Escrow" report is not printed out. Without this reconciliation, management does not know if there are sufficient funds in the bank to cover the funds being held in escrow.

As of December 31, 2007, the adjusted bank account balance agrees with the balance on the "Money in Escrow" report.

**Recommendation:** Management should print out the report “Money in Escrow” monthly. Also, at the end of each month, the total of the “Money in Escrow” report should be reconciled with the bank account balance. Any differences should be fully explained and the reconciliation should be retained.

**Current Status:** The “Money in Escrow” report is now being printed and reconciled with the bank account balance on a monthly basis.

3. No Monthly Reconciliation of Individual “In Trust for” Accounts Being Held

**Condition:** Management does not reconcile the “In Trust For” account balances with the bank account balances. All individual “In Trust For” bank accounts are opened and closed by court order. These separate bank accounts are for legally disputed funds pending adjudication and are not listed on the office “End of Month Summary”. The courts’ computer system “Odyssey” does not have the ability to create a report of all individual “In Trust For” accounts that are open at the end of the month. Without this report, management does not know if all of the individual “In Trust For” accounts have been properly accounted for.

**Recommendation:** Management should request the office of Information Technology develop a report that details all open individual “In Trust For” accounts at the end the month. All bank account balances would be agreed to the individual “In Trust For” account balances listed on the report. The total of all “In Trust For” accounts should be included on the office “End of Month Summary”.

**Current Status:** The “Registry & Trust Accounts with Balances” report is printed and is submitted with the monthly report. This report details all individual escrow accounts being held by the office at the end of the month.

4. Computer Software Lacks Preventative Controls

**Condition:** The “Odyssey” computer software has several system deficiencies that need to be corrected:

- There are 22 terminated/retired/transferred employees that are listed as inactive users.
- There are seven employees that have the ability to change the office fee code tables.
- Civil division transactions can be back dated.
- There are nine employees that can void civil division receipts; they include the bookkeeper and two Register of Wills employees.
- Register of Wills employees have the ability to access and change civil division data.

The deficiencies noted above have been discussed with the staff of the Office of Information Technology handling “Odyssey” issues.

**Recommendation:** Management should contact the Office of Information Technology and Tyler Technologies and request that the “Odyssey” system deficiencies be corrected. Odyssey’s system changes should be documented, approved by management, and retained for management review.

- Access to the clerk of judicial records- civil division data should be limited only to authorized clerk of judicial records- civil division staff. Terminated, retired and transferred employees that are listed as inactive should be removed from the user list.
- Management should contact the office of information technology to eliminate the ability to back date transactions.
- Adequate internal control procedures require management limit the ability to make changes to the office fee code table and voiding of receipts to one or two key management employees.
- Adequate internal control procedures require management re-evaluate the user roles of the bookkeeper and all other employee’s on an annual basis.

**Current Status:** Management has changed or corrected the following deficiencies:

- The seven employees that were able to change the civil division’s fee code table have been reduced to four top management employees: clerk of judicial records, chief deputy-civil division, assistant chief deputy-civil division and chief deputy-register of wills.
- Civil division transactions can no longer be backdated.
- The nine employees that were able to void civil division’s receipts have been reduced to six: four top management employees (clerk of judicial records, chief deputy-civil division, assistant chief deputy-civil division and chief deputy-register of wills) and two civil division employees. The bookkeeper is no longer able to void receipts.
- The chief deputy-register of wills still has the ability to access and change civil division data, to change the civil division’s fee code table, and to void civil division receipts. The Clerk of Judicial Records management has determined the level of risk associated with combining these responsibilities is acceptable.

**Unresolved:**

- There are 22 terminated/retired/transferred employees that are still listed as inactive users. Current Odyssey system programming requires former employees to be listed as inactive to track historical transactions. No effort to implement programming enhancements was noted.



# *Lehigh County Clerk of Judicial Records*

## Civil Division

(610) 782-3148

## Criminal Division

(610) 782-3077

*Andrea E. Naugle*

Lehigh County Courthouse

455 W. Hamilton Street - Room 122

Allentown, PA 18101-1614

## Recorder of Deeds

### Division

(610) 782-3162

## Register of Wills

### Division

(610) 782-3170

March 25, 2011

Mr. Thomas Slonaker  
Controller  
Lehigh County Government Center  
17 S. 7<sup>th</sup> Street  
Allentown PA 18101-2400

RE: Audit of Clerk of Judicial Records – Civil Division – 2008 - 2009

Dear Mr. Slonaker:

As a result of your audit, changes have been made as noted on items that are accounting appropriate procedures.

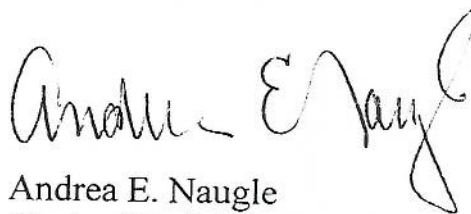
Some of the suggestions, however, that the audit noted are contrary to law and our duties and responsibilities are performed according to the law. For instance, poundage can not be attached to certain types of cases because the law does not allow us to charge poundage, i.e. Eminent Domain cases. Monies collected in Landlord Tenants matters are paid to the Clerk, deposited and sent to the Landlord. These monies are not held in escrow, therefore poundage is not being charged. The case noted in your audit about lost poundage, was an omission by the prior bookkeeper and management will review all cases in the future.

In the past, audits have reflected the suggestion to turn over the monies held by the Clerk of Judicial Records to the County. These funds are **not public funds** but are individual monies which are held by the Clerk on behalf of the Court. The Court has provided past documentation to the Controller that these monies can not and will not be turned over to the County. The fees for the County are deposited daily directly into the County's accounts since those are County monies. I again will ask the President Judge to verify that the Court agrees with the decision to maintain these funds at Firstrust instead of the County's accounts at Wachovia.

The Clerk of Judicial Records now oversees four divisions, Civil, Criminal, Recorder of Deeds and Register of Wills. The Controller has suggested that only the Clerk of Judicial Records should "personally go [to] the bank to close any 'individual escrow account'". This is not a viable suggestion since these accounts are established and closed periodically by Court Order. A certified copy of a court order must be provided to the bank in order for the bank to close any account. In addition, the other branches of Firsttrust Bank have restrictions noted on these accounts to contact their Hamilton Street branch in the event someone attempts to inquire about these restricted accounts. As for the signatures on these accounts, the Clerk and her Chief and Assistant Chief Deputies are signatories to allow for absences of the Clerk and/or other management. The Pennsylvania law is clear in 16 P.S. §408 that states "Whenever any county officer is authorized or required to appoint a deputy or deputies, such deputy or principal deputy, where there are more than one, shall, during the necessary or temporary absence of his principal, perform all duties of such principal, and also, in the case of a vacancy . . . until a successor is qualified. . .". All of the twenty-seven deputies in the Clerk of Judicial Records Divisions take oaths of office before they begin their duties. They also provide the county with Conflicts of Interest and Statement of Financial Interests forms on an annual basis. Only the Clerk and Civil and Criminal Division Chief and Assistant Chief Deputies (four deputies) are authorized for any of the civil account management responsibilities including opening, closing or check signing. Management of the Clerk of Judicial Records Office includes the Clerk and Seven Deputies.

We certainly appreciate the audit of the financial records and the suggestions provided to assist us with continuing to carry out our accounting responsibilities in an excellent manner. We also want to thank the auditor for his assistance with various questions that may arise.

Very truly yours,



Andrea E. Naugle  
Clerk of Judicial Records