



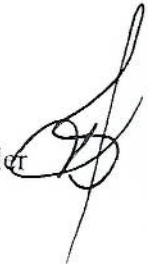
COUNTY OF LEHIGH
OFFICE OF THE CONTROLLER

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: April 28, 2011
RE: Special Investigation - Bureau of Collections



We have completed a special investigation at the Bureau of Collections for the period January 1, 2008 to August 26, 2009. Our report number 11-5 is attached.

The county fiscal officer requested an audit of specific cash handling procedures (void transactions, file adjustments, deposit cash composition) after the Bureau of Collections' office manager was fired due to attendance violations. Based on limited procedures applied during our special investigation, we noted several internal control weaknesses that the administration has corrected.

Attachment

AUDITS/BOC SPECIAL INVESTIGATION

COUNTY OF LEHIGH, PENNSYLVANIA

BUREAU OF COLLECTIONS

SPECIAL INVESTIGATION

*Independent Controller's Office Report on
Applying Agreed-Upon Procedures
For the Period January 1, 2008 to August 26, 2009*

REPORT NO. 11-5

COUNTY OF LEHIGH, PENNSYLVANIA
BUREAU OF COLLECTIONS

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COUNTY OF LEHIGH, PENNSYLVANIA
BUREAU OF COLLECTIONS

Background

Bureau Responsibilities

The Bureau of Collections (BOC) is responsible for the collection of criminal court costs, fines, restitution and prison room and board. The bureau also collects current and delinquent Protection From Abuse (PFA) filing fees and sheriff service fees associated with the PFA. The cost data is entered into the collections system from several sources including the Clerk of Judicial Records-Criminal and Civil Divisions, District Attorney, Probation departments, Sheriff's office and Corrections department.

Other collections such as state fines and fees are sent to the county's Fiscal Office for transmittal to the state revenue department. Local fines and restitution are disbursed directly to the local governments and crime victims respectively.

The BOC uses an automated accounting system provided by the State and supported by the Administrative Office of Pennsylvania Courts.

Request for Controller's Office Assistance

On August 24, 2009, the fiscal officer requested we perform audit testing at the BOC directed at identifying any cash handling irregularities. Specific audit procedures were applied to BOC records for void transactions, file adjustments, and cash composition (cash, check, charge, or money order) reporting.

On September 28, 2009, the Office of the District Attorney was notified of seven cash handling discrepancies totaling \$3,010.

On June 30, 2010, the former director of the Bureau of Collections was charged with theft and other offenses by Lehigh County detectives.

On March 7, 2011, the former director of the Bureau of Collections pled guilty to six incidents where she took cash and issued voids and accounting record adjustments to conceal the missing cash. Also, she pled no contest to swapping a \$2,000 check for cash with the check returned by the bank for insufficient funds.



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THOMAS SLONAKER
COUNTY CONTROLLER

JOHN A. FALK
DEPUTY CONTROLLER

Brian L. Kahler, Fiscal Officer
Office of Fiscal Affairs
Lehigh County Government Center
17 South Seventh Street
Allentown, PA 18101-2400

We have recently performed certain procedures, which were agreed to by the Lehigh County fiscal officer, solely to assist the fiscal officer in identifying any irregularities in:

- void transactions,
- file adjustments, or
- cash composition

for the period January 1, 2008 through August 26, 2009 at the Bureau of Collections.

The Bureau of Collections receives payments from criminal defendants and initiates disbursements as determined by the Court of Common Pleas for county costs and fines, prison room & board, victim restitution and other court-ordered charges. The fiscal officer has overall responsibility for the operations of the Bureau of Collections.

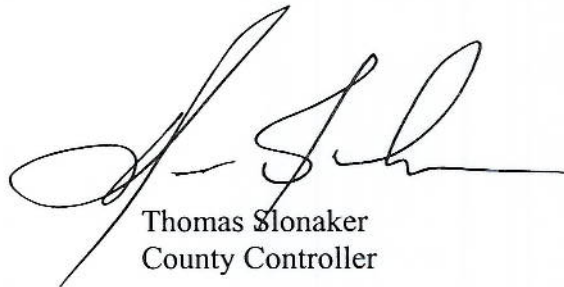
This agreed-upon procedures engagement was conducted in accordance with generally accepted government auditing standards and "Government Auditing Standards" as issued by the United States Government Accountability Office (GAO) and "Statements on Standards for Attestation Engagements" as issued by the American Institute for Certified Public Accountants (AICPA). The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures performed.

During the course of performing the above mentioned agreed-upon procedures, we noted certain matters that we reported to the management of the Bureau of Collections. Please refer to the separate section titled "*Schedule of Audit Findings and Recommendations.*"

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the financial condition at the Bureau of Collections. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

This report is intended solely for the information and use of the Lehigh County fiscal officer and management of 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.



Thomas Slonaker
County Controller

Attachment

April 28, 2011
Allentown, PA

Final Distribution

Board of Commissioners
Donald T. Cunningham, County Executive
Elizabeth A. Fritz, Chief Juvenile Probation Officer, Juvenile Probation
The Honorable Carol K. McGinley, President Judge
James B. Martin, District Attorney
Thomas S. Muller, Director of Administration
Andrea E. Naugle, Clerk of Judicial Records
Timothy A. Reeves, Director, Bureau of Collections
Ronald W. Rossi, Sheriff
Susan T. Schellenberg, Court Administrator
John Sikora, Chief Probation Officer, Adult Probation
Edward Sweeney, Director of Corrections

COUNTY OF LEHIGH, PENNSYLVANIA
BUREAU OF COLLECTIONS

Schedule of Audit Findings and Recommendations

1. Cash Misappropriations

Condition: During the course of our audit we discovered seven incidents in which cash (totaling \$3,010) was misappropriated from daily department collections. The incidents took place between June 17 and August 6, 2009.

In one occurrence, \$2,000 in cash was removed and replaced with a check from a third party. The check bounced due to insufficient funds resulting in a \$2,000 loss to the county.

The other six incidents involved thefts of various sums concealed by altered documents and unauthorized entries in the automated accounting system.

The misappropriations were traced to the former director responsible for verifying daily cashier settlements and preparing bank deposits. A subsequent investigation by the Lehigh County District Attorney's office resulted in the filing of criminal charges.

Stronger internal controls where one person does not have sole control over a financial transaction could have prevented the incidents from occurring.

Recommendations: We identified several internal control weaknesses which enabled the misappropriations to occur without detection:

- Weakness - Management personnel responsible for verifying daily cashier settlements and preparing bank deposits also have access to accounting system data.

Risk – Cash shortages may be concealed by unauthorized accounting transactions and fabricated documents due to lack of oversight.

Recommendation – Limit system access for management personnel to “read only”.

If “read only” access is impractical due to limited resources, another option would be implementation of a joint review process for void receipts requiring written approval by two employees. A similar process has already been implemented for case balance adjustments.

- Weakness – The department staff was asked by the former director to provide their computer system logins and passwords.

Risk – Transactions could be concealed using another employee's access.

Recommendation – Issue written directive to staff prohibiting providing logins and passwords to any employee, including management personnel.



COUNTY OF LEHIGH
Office of Fiscal Affairs

Brian L. Kahler
Fiscal Officer

TO: Thomas Slonaker, County Controller
FROM: Brian L. Kahler, Fiscal Officer
DATE: April 28, 2011
RE: Bureau of Collections Special Investigation

On behalf of the Administration I would like to commend the Controller's office for immediate action upon request and professionalism in conducting the review of the Bureau of Collections. Specifically, Thomas Schweyer, Senior Auditor, who performed the audit, uncovered irregularities and prepared detailed documentation to support the findings.

In response to the findings:

1. Cash Misappropriations

Implementation of a "read only" access would be impractical. Therefore we will implement the joint review process for all voided receipts requiring approval by both the Director and Office Supervisor. This is similar to the process of joint review for all case adjustments requiring signoff by both the Director of Collections and Chief Deputy Criminal Division Clerk of Courts implemented on 1/1/10.

A written directive was sent to all staff reminding them that providing logins and passwords to anyone (including management personnel) is strictly prohibited.

BLK/kk

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