




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

TO: Final Report Distribution
FROM: Thomas Slonaker, County Controller 
DATE: April 8, 2008
RE: Internal Audit Follow-up of Domestic Relations Section

We have completed an internal audit follow-up of Domestic Relations Section for the period August 1, 2007 to January 25, 2008. Our audit report number 08-5 is attached.

The results of our audit are:

- Many of the prior audit findings have been corrected.
- The cash balance in the support account is insufficient to cover the DRS obligations as of January 25, 2008. The total calculated shortage is \$28,672.36. This condition is due to inadequate accounting, human error, inadequate reconciliation, and inadequate supervision.
- Significant improvement is required in cash handling accounting procedures, account reconciliation, and DRS fiscal supervision.

Attachment

AUDITS/DOMESTIC RELATIONS

COUNTY OF LEHIGH, PENNSYLVANIA
DOMESTIC RELATIONS SECTION

*Internal Audit Follow-up for the Period
August 1, 2007 to January 25, 2008*

REPORT NO. 08-5

COUNTY OF LEHIGH, PENNSYLVANIA
DOMESTIC RELATIONS SECTION

Table of Contents

	<i>Page(s)</i>
Background	1
OPINION OF THOMAS SLONAKER LEHIGH COUNTY CONTROLLER	2
Schedule of Current Audit Findings and Recommendations	3-6
Schedule of Prior Audit Findings and Recommendations	7-11
Domestic Relations Section Response	12-14
Office of Fiscal Affairs' Response	No Response

COUNTY OF LEHIGH, PENNSYLVANIA
DOMESTIC RELATIONS SECTION

Background

The Domestic Relations Section (DRS) is responsible for establishing paternity, establishing orders of support, and enforcing support orders on behalf of children and spouses. This may involve an initial determination of paternity, but then proceeds to determine parents' abilities to support their minor children. This process requires procedures for securing the financial support of those minor children and qualified spouses, and may include locating absent parents by national or international searches. After the initial complaint, conferences are held by DRS Conference Officers who gather information for the preparation of a proposed support order to be approved by the Court. Support orders proposed by conference officers can be appealed for hearing before a Master and a further hearing before a judge if appealed beyond the Master. DRS Enforcement Officers are responsible for the enforcement of those support orders assigned to them and the appearance before the Court of those failing to meet their support obligations. There are currently about 14,000 active support cases in Lehigh County, which DRS is responsible for enforcing the collection of support funds from the defendant in the action. Employers who deduct support payments through wage withholding, and defendants who are not wage-attached, send the payments directly to a central payment site (Pennsylvania State Collection and Disbursement Unit or PASCDU) where the payments are processed and dispersed to the plaintiff. When a defendant is behind in their support payments, the enforcement officer tries to collect the funds that are currently owed. These funds are deposited into the office bank account and transferred to the Commonwealth of Pennsylvania for disbursement to the plaintiff. DRS uses the statewide Pennsylvania Automated Child Support and Enforcement System (PACES), which is designed to track cases more efficiently, locate absent parents throughout the state and nation, and alert enforcement officers to remedies available to help in the collection of delinquent support.



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

Rosemary C. McFee, Director
Lehigh County Domestic Relations Section
Ten North Eleventh Street
Allentown, PA 18101

We have recently completed an internal audit of the financial records at Domestic Relations Section, County of Lehigh, Pennsylvania. The scope of the audit was the period August 1, 2007 to January 25, 2008. Our objective was to follow-up on the audit findings and recommendations of the internal audit for the period December 1, 2004 to August 31, 2007 (#07-70).

We conducted our audit in accordance with the "Standards for the Professional Practice of Internal Auditing", promulgated by the Institute of Internal Auditors. Our audit included examination of accounting records, documentation, discussions with domestic relations section management and other county personnel, and such other auditing procedures we considered necessary in the circumstances.

Based on the follow-up audit procedures performed, we concluded:

- Many of the prior audit findings have been corrected (refer to the "Schedule of Prior Audit Findings and Recommendations" on pages 7-11).
- The cash balance in the support account is insufficient to cover the DRS obligations as of January 25, 2008. The total calculated shortage is \$28,672.36. This condition is due to inadequate accounting, human error, inadequate reconciliation, and inadequate supervision.
- Significant improvement is required in cash handling accounting procedures, account reconciliation, and DRS fiscal supervision.

We wish to thank the Domestic Relations Section management and his/her staff for their cooperation during the audit. This report is intended for the information and use of the Domestic Relations Section management and other affected county offices. However, this report is a matter of public record and its distribution is not limited.

Thomas Slonaker
County Controller

April 7, 2008
Allentown, Pennsylvania

Final Distribution

Board of Commissioners
Donald T. Cunningham, Jr., County Executive
Brian L. Kahler, Fiscal Officer

Thomas S. Muller, Director of Administration
The Honorable William H. Platt, President Judge
Susan Schellenberg, Court Administrator

COUNTY OF LEHIGH, PENNSYLVANIA
DOMESTIC RELATIONS SECTION

Schedule of Current Audit Findings and Recommendations

1. Adjustments Required to the Fiscal Accounting - \$28,672.36 Shortage

Condition: As of January 25, 2008, the cash balance of the support account is insufficient to cover the DRS obligations. The total calculated shortage is \$28,672.36.

Reconciliation of Available DRS Cash

Beginning cash balance on January 22, 2008	\$ 84,608.72
Checks issued to DRS	(5,712.97)
Deposit error (corrected) sweep error – PASCDU	28,685.49
DRS – Deposits-in-transit (see Condition #2)	<u>23,172.13</u>
Available cash	\$130,753.37

DRS Obligations

Escrow/bond report as of January 25, 2008	(\$137,447.48)
Outstanding checks (to be escheated)	<u>(21,978.25)</u>
Calculated cash balance shortage	<u>(\$28,672.36)</u>

Recommendation: The fiscal officer and the DRS director should arrange for a 2008 budget transfer to cover the account shortage. The fiscal officer should credit “DRS Due to Other Parties-Escrow” (\$6,694.11) and “Escheat Funds-Domestic Relations” (\$21,978.25).

COUNTY OF LEHIGH, PENNSYLVANIA
DOMESTIC RELATIONS SECTION

Schedule of Current Audit Findings and Recommendations

2. Adjustments Required to DRS Support Account - \$23,172.13

Condition: As of January 25, 2008, there is \$23,172.13 of excess cash held in the DRS support account calculated as follows:

Bank Balance, January 25, 2008	\$18,492.04
Deposits-in-transit	5,066.95
Deposit Error, January 3, 2008 (wrong deposit ticket used, this was corrected)	4,985.60
Deposit Error, December 31, 2007 (wrong deposit ticket used, not corrected)	595.81
Deposit Error, August 14, 2007 (deposit greater than PASCDU sweep)	(0.33)
Deposit Error, September 14, 2007 (deposit less than PASCDU sweep)	100.00
Deposit Error, November 30, 2007 (deposit less than PASCDU sweep)	0.01
Outstanding Checks (void and reissued January 16, 2008)	(1,001.00)
Outstanding Automated Withdrawals (PASCDU sweep pending for January 25, 2008)	<u>(5,066.95)</u>
Excess Cash on January 25, 2008	<u>\$23,172.13</u> =====

Recommendation: DRS management should turn over the \$23,172.13 to the county fiscal officer to be credited to the DRS escrow account.

COUNTY OF LEHIGH, PENNSYLVANIA
DOMESTIC RELATIONS SECTION

Schedule of Current Audit Findings and Recommendations

3. Inadequate Accounting Procedures/Inadequate Supervision

Condition: DRS management does not reconcile on a monthly basis, the support bank account to account for all funds deposited and withdrawn. We reviewed the bank statement activity (deposits and withdrawals) for the months August 2007 to January 2008. We found \$34,366.58 in deposit errors, deposit overages, deposit shortages, and withdrawal errors. DRS management was not aware of these errors. The majority of the errors (\$33,671.09) have been corrected by DRS management, since being brought to their attention.

Recommendations:

- A. DRS management should correct the remaining errors (\$695.49) immediately.
- B. DRS management should forward copies of monthly cash reconciliations of support account activity to the county fiscal officer and controller. DRS management should reconcile the support account cash to the trial balance for the escrow account (1203.100501.000.25391).
- C. DRS management should develop written procedures to properly account for all deposits and withdrawals. These written procedures should include the following:

Procedures to Cut Down on Using the Wrong Deposit Ticket:

- Before the daily deposit is placed in the bank bag, have another employee verify the correct deposit ticket is being used.
- Have the employee initial a log that the correct deposit ticket is being used.
- Consider color coding of deposit tickets.

Adding to Escrow Funds held by the Fiscal Office:

- Prepare DRS manual 2 part receipt for all escrow funds received.
- Deposit the escrow funds in Wachovia Bank "Current Support Account".
- Post the escrow funds to PACES "Escrow/Bond Account Report" (Report #R906).
- Issue a manual check from Wachovia Bank "Current Support Account" to the "County of Lehigh" for the escrow funds received.
- Prepare an "Advice of Transmittal" for the escrow funds, post funds to "Due to Other Parties-Escrow #1203.100501.000.25391".
- Take the check & advice of transmittal to the fiscal office.
- Get receipted advice of transmittal from fiscal office staff.

Removing Escrow Funds held by the Fiscal Office:

- Prepare a “Request for Payment (RFP) “for the amount of escrow funds needed; “Due to Other Parties- Escrow #1203.100501.000.25391”. Do this several days in advance of when you need the funds.
- Provide the proper documentation to support the amounts requested.
- Provide the “Escrow /Bond Account Report” (Report #R906).
- Have an authorized person sign the RFP.
- Once the check is issued, deposit the check into Wachovia Bank “Current Support Account” and post individual information to the cases in PACES.
- The funds are then swept out of the account by the PASCDU.

Monthly Bank Statement Reconciliation:

- Agree all deposits listed on the bank statement with the amount listed on the” OTC Verification Page” and receipted deposit tickets.
- Verify all automatic withdrawals made by PASCDU to a corresponding deposit and the “OTC Verification Page amount.
- Reconcile the ending bank account balance. This reconciliation should account for all funds deposited but not automatically withdrawn by PASCDU, any errors made by the office or by PASCDU or other miscellaneous adjustments. All differences should be researched immediately and corrected as soon as possible. This account reconciliation must be documented.
- The reconciled bank account balance at end of the month should be \$-0-.
- The completed bank account reconciliation should be reviewed and approved by the director of domestic relations.
- Submit copies of all bank reconciliations to the Fiscal Office / Controller’s Office on a timely basis. Also, submit a copy of the month end report “Escrow / Bond Account Report” (R906).

COUNTY OF LEHIGH, PENNSYLVANIA
DOMESTIC RELATIONS SECTION

Schedule of Prior Audit Findings and Recommendations

Attachment Court Costs

1. County Court Costs Not Turned Over Timely

Condition: DRS management does not turn over the county attachment court costs collected in a timely manner. DRS management turned over \$56,418 in March 2007; this was the first time funds were turned over since December 2004. Also, DRS management issues checks from this bank account to its clients for refund of county fees and other charges. These checks are not reviewed by the county fiscal officer or the county controller. As of August 31, 2007, the balance in the account was \$19,004.

This condition was noted in our previous audit report #05-22 issued May 25, 2005.

Recommendation: DRS management should turn over the \$19,004 to the county fiscal office and request the county fiscal officer convert this bank account into a "county sweep account". A sweep account is a bank account where an office deposits its receipts and at the end of the day, the bank sweeps the entire balance into another county bank account. All refund of county fees would be done on a "Request for Payment Form", which is submitted by DRS management and reviewed by the county fiscal officer and the county controller. Also, all unused checks should be destroyed.

DRS Management Response: The DRS had a January 7, 2008 meeting with Fiscal Manager Brian Kahler to request routine monthly sweeping of this account. The checks refunded from this account are reviewed monthly in order to provide a net income to the Commonwealth as part of the Title IV-D Reimbursement program.

Current Status: As of January 15, 2008, the account is swept daily.

2. \$25 NSF Return Check Fee Not Collected

Condition: DRS management does not enforce the collection of the \$25 NSF return check fee from all of its clients who give the office an NSF check for payment of county fees. Currently, DRS charges a fee of \$8 to its clients who give the office an NSF check. Lehigh County has a standard NSF return check fee of \$20 and DRS has a standard NSF return check fee of \$25.

Recommendation: DRS management should enforce the collection of the \$25 NSF return check fee.

DRS Management Response: Per the DRS court order, a \$25.00 fee is now being charged

Current Status: Implemented.

Support Accounts

1. Dormant Support Bank Account

Condition: DRS management maintains a dormant support bank account that has not been used for at least 10 years. There is no accurate outstanding check list maintained. This account was utilized when Lehigh County issued the support checks directly to its clients. As of August 31, 2007, the balance in the account was \$16,282.

This condition was noted in our previous audit report #05-22 issued May 25, 2005.

Recommendation: DRS management should turn over the \$ 16,282 to Lehigh County for escheatment to the Commonwealth of Pennsylvania and then close the bank account. Also, all unused checks should be destroyed.

DRS Management Response: The DRS will turn over remaining outstanding checks to the county for escheatment upon receiving instructions from Brian Kahler at our January 7, 2008 meeting. An outstanding check list is maintained. All unused checks have been destroyed in the past. A total of \$26,429 has been escheated between 2002 and 2007.

Current Status: On January 18, 2008, DRS management turned over \$16,282 to Lehigh County.

2. Current Support Bank Account

Condition: DRS management maintains a support bank account that was once used by Lehigh County to issue support checks directly to its clients. Currently, this account is used to deposit money that has been collected from clients for back support. These funds are then electronically transferred to the Commonwealth of Pennsylvania for distribution. Occasionally, manual support checks are issued out of this account by DRS management. There is no accurate outstanding check list maintained. As of August 31, 2007, the balance in the account was \$147,241 and the composition can't be determined.

Recommendation: DRS management should turn over the \$147,241 to Lehigh County for escheatment to the Commonwealth of Pennsylvania. Also, DRS management should stop issuing manual support checks to its clients and destroy all unused checks. All support checks to DRS clients must be generated from the Pennsylvania State Collection and Disbursement Unit (PASCDU).

DRS Management Response: There is an accurate outstanding check list as well as an accurate account composition. The \$27,188 outstanding check balance (as of 8/31/07) will be reissued to the State Collection and Disbursement Unit during the month of January 2008. Please review audit response #2 from the previous audit report #05-22 for explanations as to why this account should remain open within DRS.

Current Status: On January 22, 2008, DRS management turned over \$84,609 (the entire account balance) to Lehigh County.

Federal IV-D

1. Unnecessary Bank Account

Condition: DRS management maintains a money market checking account for the sole purpose of depositing reimbursement checks from the Commonwealth of Pennsylvania. When a reimbursement check is received, it is deposited into the bank account. The funds are then electronically transferred to Lehigh County. As of August 31, 2007, the balance in the account was \$1,095. The balance represents bank account interest not turned over to Lehigh County.

This condition was noted in our previous audit report #05-22 issued May 25, 2005.

Recommendation: DRS management should request the Commonwealth of Pennsylvania make all future reimbursements by electronic funds transfer (EFT) instead of a paper check. The \$1,095 should be turned over to the county fiscal office and then close the bank account. Also, all unused checks should be destroyed.

DRS Management Response: The Commonwealth of Pennsylvania does not yet have a mechanism in place for EFTs in this situation. This account is swept routinely by the Fiscal Office after authorization (via two signatures) from the Court. Per the Cooperative Agreement (6.3 (c) - Use of Federal Reimbursement and Incentive Monies):

“All disbursements from the Title IV-D Account(s), saving, checking, or investments, shall be made only with the prior authorization of both the court and the County Commissioners.”

The \$1,095 does not represent interest. Having “real time” access to this account is vital due to the various reporting requirements put forth by a variety of external users as well as obvious internal needs such as budgetary forecasting and analysis. Additionally, the DRS is now required to account separately the receipt and usage of reimbursement and incentive monies. Both of which compose the balance of this account.

Current Status: This is now resolved.

Change Fund

1. Change Fund Too Large

Condition: DRS management has an office change fund of \$500 which is too large for the operations of the office. Unannounced cash counts performed in 2005, 2006 and 2007, concluded that at least \$300 was not needed.

This condition was noted in our previous audit report #05-22 issued May 25, 2005.

Recommendation: DRS management should reduce the office change fund to \$200 and return the remaining \$300 to the county fiscal office.

DRS Management Response: Due to the fluctuation in volume of our over-the-counter payments, as well as the proximity of our office to a bank, we feel keeping an ample change supply is necessary for our operation. However, since it has been some time since a judge has requested a court room payment, the DRS is willing to remit the \$100 court fund to the county fiscal office.

Current Status: On January 18, 2008, DRS returned \$100 to the county fiscal office. This is now resolved.

Enhanced Control and Efficiency Over Payment Processing

1. **Condition:** The DRS cash payment office issues manual receipts for payments received. Receipts are not recorded on a cash register. At the end of the day, the teller splits the receipts and manually tapes each category (deposits made to two bank accounts) to prove the day's work. Also, from information on the receipt, DRS employees manually prepare both the DRS county form and the Pennsylvania State Collection and Disbursement Unit (PASCDU) collections and disbursement form. The current process requires substantial manual input.

This condition was noted in our previous audit report #05-22 issued May 25, 2005.

Recommendation: DRS management should consider implementing an automated cash receipt system which would print receipts, record transactions on a receipt register (generate totals for each bank deposit) and generate the DRS county and the PASCDU collection and disbursement forms.

An automated cash receipt system would improve the control over cash receipts and increase the efficiency and accuracy by reducing manual input.

DRS Management Response: The DRS will adamantly pursue, within our budget constraints, the acquisition of a stand alone cash register to meet the controller's recommendation.

Current Status: Not Implemented.

Other Internal Control Weaknesses

1. **Condition:** We found numerous instances of other internal control weaknesses:
 - Lack of management review of void receipts.
 - Occasionally, receipts have been altered after issuance. There is no management review of these receipts.
 - All tellers (permanent/relief/substitute) work out of the same cash drawer.

- There is a lack of accountability for undeposited receipts left overnight in the office safe. The combination to the office safe has never been changed and is known to at least six current employees and numerous former employees.
- DRS management does not utilize the general ledger over and short accounts.
- The office mail is sorted by another DRS employee in the cash payment office.

Recommendation: To enhance control over the receipt and safekeeping of cash payments, the following procedures should be implemented:

- Management should review and approve all void and altered receipts.
- All tellers (permanent/relief/substitute) should have their own cash drawer. All teller drawers would be settled at the end of each day.
- The combination to the office safe should be changed immediately. The combination to the safe should be changed anytime one of the six employees leaves county employment for whatever reason.
- All teller or customer overages/shortages should be recorded on the county general ledger.
- The sorting of the office mail should be moved out of the cash payment office to another location in the building.

DRS Management Response:

- The Fiscal Manager will review voided receipts at random intervals
- Internal control has been in place for altered receipts since 2005 (see e-mail). Fiscal Manager will reinforce policy.
- Dual cash drawers were initiated in September 2007.
- The combination will be changed shortly and it will continue to be as changes of personnel within the unit warrant.
- Will request needed information from Brian Kahler at the January 7, 2008 meeting in order to adhere to this recommendation.
- DRS will initiate two mail personnel for greater control.

Current Status: Most recommendations have been implemented except for: management review of voided and altered receipts and the establishment of the over and short accounts on the county general ledger.

MEMO

Lehigh County Domestic Relations Section

Rosemary C. McFee, Director

To: Thomas Slonaker
County Controller

From: Rosemary C. McFee
Director

RE: Internal Audit Response

Date: 28 March 2008



This memo serves as a response to the DRAFT internal audit report of the Domestic Relations Section's financial records. As noted in your cover letter, many of the original findings have been corrected. I would like to personally thank David Joseph of the Controller's Office for offering help and directly aiding the DRS staff in rectifying deficiencies. He has agreed to help with any questions or accounting tasks in the near future.

Since the goal is to eliminate the accounting deficiencies which were identified in the audit findings, Susan Schellenberg, Court Administrator, and William Berndt, Deputy Court Administrator, presented a recommendation to the County to implement personnel changes for improved managerial oversight and accounting functions. The County has approved reclassifications which will include hiring an Accountant II to oversee the Fiscal Unit. The Accountant II will be responsible for meeting the expectations of the County Fiscal Accounting practices as well as the Bureau of Child Support's policies and procedures as they relate to the collection and disbursement process.

Concerning the specific findings,

- Findings # 1 and # 2 will be addressed with Brian Kahler and the appropriate funds will be credited as directed. It appears that this process may take one or two months to accomplish after the March bank reconciliation is complete.
- Finding # 3 – The recommendations will be followed. Suggested procedures regarding deposit tickets have been implemented (with the exception of color coding the deposit tickets. We are looking into this recommendation.) We have implemented the "Adding Escrow Funds" and

"Removing Escrow Funds" procedures. The monthly bank statement reconciliation process recommendation has been implemented.

- Concerning the Prior Findings (Enhanced Control and Efficiency Over Payment Processing), a cash register similar to that being used in Berks County DRS has been requested through County Purchasing.
- Regarding "Other Internal Control Weaknesses",
 1. There is a policy and procedure in place regarding management review of voided receipts and altered receipts after issuance. This policy has been reinforced.
 2. There are two cash drawers and policy is (and has been) in place for cashiers to work out of separate drawers.
 3. The combination to the safe has been changed.
 4. The general ledger will be used for over and short accounts.
 5. The office mail will continue to be sorted in the cashier room; however, policy and procedure has been implemented as follows:

Mail – Mail will be processed by two staff. If a check is received in the mail, the following procedure will be followed:

Using the attached form, the person who opened the mail with a check enclosed shall list the: date, check number, check amount, reason for the check, sender's name, client's name and case id.

The mail opener staff will initial and have the second mail opener staff initial the form. The check will then be given to the cashier who will also initial the form.

Note: The mail is sorted in the cash room because it is a secured area and, if a check does arrive in the mail, there is less of a chance for that check to be lost or misplaced in the general work areas. There is no other secured space available to sort the mail.

I would like to schedule an exit meeting regarding the audit. Please advise me of your availability.

Cc: Susan T. Schellenberg
Court Administrator

