




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: January 5, 2009

RE: Audit of Clerk of Courts-Criminal Division

We have completed our audit of clerk of courts-criminal division for the years ended December 31, 2006 and 2007. Our audit report number 09-3 is attached.

The results of our audit are:

- The County of Lehigh received the proper amounts due from the clerk of courts-criminal division.
- The automated accounting system (CPCMS) maintained by the AOPC (Administrative Office of Pennsylvania Courts) has several system deficiencies that need to be fixed. As noted in the Clerk of Judicial Records audit response, she continues to work to correct system deficiencies as identified.
- The clerk of courts-criminal division did not file a report of "Abandoned and Unclaimed Property" for the years 2006 and 2007. Also, the 2004 report had errors on it that need to be corrected.
- A positive pay system for disbursements still needs to be established. A positive pay system, in place for other county disbursements, provides prudent protection against check fraud.
- There was a lack of segregation of duties for the chief deputy.

Attachment

COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF COURTS-CRIMINAL DIVISION

*Financial Audit for the Years Ended
December 31, 2006 and 2007*

REPORT NO. 09-3

COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF COURTS-CRIMINAL DIVISION

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COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF COURTS – CRIMINAL DIVISION

*Background**

The Clerk of Courts –Criminal Division is responsible for maintaining complete, accurate and up-to-date file records for the Criminal Court system in accordance with existing laws and remains current with all new legislation. To fulfill this responsibility, it is the mission of the Clerk of Courts – Criminal 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 Courts, including moneys collected on behalf of individuals and held in escrow for the Court. The Clerk of Courts is an integral part of the Lehigh County Court System.

*Source: 2007 Budget Narrative prepared by the Clerk of Courts.



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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 for the years ended December 31, 2006 and 2007 as listed in the Table of Contents. These financial statements are the responsibility of the clerk of courts-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 the 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 that 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 courts-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, 2006 and 2007 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 courts-criminal division for the years ended December 31, 2006 and 2007 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 a report dated December 30, 2008 on our consideration of the clerk of courts-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.



THOMAS SLONAKER
County Controller

December 30, 2008
Allentown, Pennsylvania

Final Distribution:

Board of Commissioners
Donald T. Cunningham, Jr., County Executive
Brian L. Kahler, Fiscal Officer
The Honorable William H. Platt, President Judge

COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF COURTS-CRIMINAL DIVISION

*Statement of Receipts, Disbursements, and
Changes in Cash Balance for the
Years ended December 31, 2006 and 2007
(NOTE 1)*

	<u>2006</u>	<u>2007</u>
RECEIPTS:		
<i>Cash Bail</i>	\$ 630,429	\$ 499,426
<i>Common Pleas Fees</i>	75,120	46,491
<i>Interest</i>	7,840	11,789
<i>Customer Overages</i>	188	186
	-----	-----
TOTAL RECEIPTS	713,577	557,892
	-----	-----
DISBURSEMENTS:		
<i>Refund of Cash Bail and Customer Overages</i>	398,986	429,849
<i>County of Lehigh (NOTE 2)</i>	206,384	214,678
	-----	-----
TOTAL DISBURSEMENTS	605,370	644,527
	-----	-----
EXCESS OF RECEIPTS OVER/(UNDER) DISBURSEMENTS	108,207	(86,635)
CASH BALANCE, JANUARY 1	301,436	409,643
	-----	-----
CASH BALANCE, DECEMBER 31 (NOTE 3)	\$ 409,643	\$ 323,008
	=====	=====

The accompanying notes are an integral part of this statement.

COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF COURTS-CRIMINAL DIVISION

*Notes to Financial Statement
For the Years Ended December 31, 2006 and 2007*

1. Summary of Significant Accounting Policies

A. Reporting Entity

The clerk of courts-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, 2006 and 2007 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 Systems

In July, 2005, the clerk of courts-criminal division began using the Administrative Office of Pennsylvania Courts' (AOPC) case management system called "Common Pleas Case Management System" (CPCMS). All counties in Pennsylvania are required to use CPCMS.

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>2006</u>	<u>2007</u>
Escrow Checking Account	\$ 259,643	\$ 273,008
Escrow CD's	150,000	50,000
	-----	-----
<i>Total</i>	\$ 409,643	\$ 323,008
	=====	=====



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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 courts-criminal division for the years ended December 31, 2006 and 2007 and have issued our report thereon dated December 30, 2008. 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 courts-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 courts-criminal division's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the clerk of courts-criminal division's internal control over financial reporting.

A control deficiency 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 control deficiency, or combination of control deficiencies, that adversely affects the clerk of courts-criminal division's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the clerk of courts-criminal division's financial statements that is more than inconsequential will not be prevented or detected by the clerk of courts-criminal division's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the clerk of courts-criminal division's internal control.

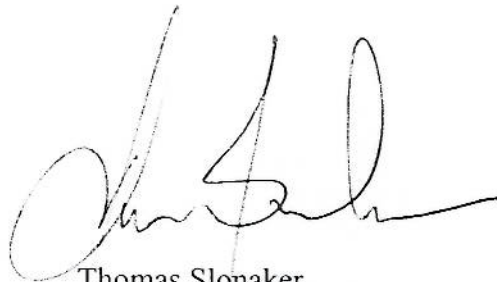
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

As part of obtaining reasonable assurance about whether the clerk of courts-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*.

We noted certain matters that we reported to management of the clerk of courts-criminal division in a separate section titled "*Schedule of Audit Findings and Recommendations*" and "*Schedule of Prior Audit Findings and Recommendations*".

The clerk of courts-criminal division's response to the findings identified in our audit are included in this report. We did not audit clerk of courts-criminal 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

December 30, 2008
Allentown, Pennsylvania

COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF COURTS-CRIMINAL DIVISION

Schedule of Audit Findings and Recommendations

1. Automated Accounting System Deficiencies

Condition: The automated accounting system, CPCMS, which is maintained by the AOPC, has several system deficiencies that need to be fixed:

- There are 100 active users with F1 and F2 security that have the ability to void cash receipts issued by the clerk of courts-criminal division. Active users include 91 current, 7 terminated and 2 retired employees from the following offices: clerk of courts-criminal division, bureau of collections, sheriff, prison, probation, fiscal affairs, and information technology.
- There is no transaction report that details all assessment fee cancellations or vendor address changes.
- There is no monthly report that only identifies escheatable bail escrow funds. Currently, escheatable funds are listed in sections “Bail” and “Refund –Other” of the monthly report “Disbursed and Undisbursed Escrow Detail”.
- There is no monthly report that separates active and inactive bail escrow funds. Currently, all bail escrow funds are co-mingled together in the monthly report “Disbursed and Undisbursed Escrow Detail”.

Recommendation: Management should contact the AOPC and request that modifications to CPCMS be made to correct the system deficiencies:

- Access to the clerk of courts – criminal division system cash receipts system should be limited only to authorized clerk of courts – criminal division staff. Retired and terminated employees should be removed from the active user list. Management should request AOPC create different levels of security based on the employees’ assigned job responsibilities. Also, management should review and approve all voids listed on AOPC report #1256 “Void Receipts”.
- A transaction report that details all assessment fee cancellations and vendor address changes should be developed by AOPC. This transaction report should be reviewed and approved by management.

- A report that only identifies escheatable bail escrow funds should be developed by AOPC. This report should be reviewed and approved by management. This report would be used to determine which funds would be escheated to the Commonwealth of Pennsylvania.
- A report that separates active and inactive bail escrow funds should be developed by AOPC. This report should be reviewed by management on a monthly basis to determine which funds should be returned to the surety or escheated to the Commonwealth of Pennsylvania.

Current Status: Management has contacted the AOPC on numerous occasions (current and prior) about making the requested modifications to CPCMS.

2. **Non Compliance - Reporting of Abandoned and Unclaimed Property**

Condition: Management did not file a report of “Abandoned and Unclaimed Property” with the Commonwealth of Pennsylvania’s Treasury Department for the years 2006 and 2007. Per the Commonwealth of Pennsylvania’s Treasury Departments’ filing instructions for 2007:

If you have unclaimed property to report, “Reports should be submitted by April 15th of the year following the expiration of the holding period, or the next business day if the 15th falls on a Saturday, Sunday or holiday. The holder of unclaimed property must file a report with, and deliver the property to, the “Bureau of Unclaimed Property”. Early remittance of unclaimed property before the expiration of the holding period must be approved by the Treasurer of Pennsylvania in writing.

OR

“If you have no unclaimed property to report, you need to file the Verification and Check List form (AP-1) by the reporting deadline of April 15th and complete the information requested”.

Recommendation: Management should compile a list of all abandoned and unclaimed property for 2006 and 2007 and file the appropriate report with the Commonwealth of Pennsylvania’s Treasury Department.

3. **Incorrect Reporting of Abandoned and Unclaimed Property in Prior Years**

Condition: Management did not correctly report the items listed on the “Report of Abandoned and Unclaimed Property Verification and Checklist” for the year ended December 31, 2004 submitted June 15, 2005. Management did not list the correct name of the person who remitted the funds. In most cases, the defendants’ name was listed instead of the payee’s name. Also, most of the funds turned over were not held for the correct length of time before being turned over to the Commonwealth of Pennsylvania.

Recommendation: Management should file a corrected “Report of Abandoned and Unclaimed Property Verification and Checklist” for the year ended December 31, 2004.

4. Segregation of Duties- Chief Deputy

Condition: There is a lack of segregation of duties for the responsibilities assigned to the Clerk of Courts –Criminal Division’s chief deputy. Some of the duties assigned to the chief deputy are:

- Void cash receipts.
- Approve disbursement checks.
- Prepare the monthly bank reconciliations for all office bank accounts.

Proper segregation of duties requires separation of the cash receipt, cash disbursement, and bank account reconciliation responsibilities.

Recommendation: Management should consider re-assigning some of the duties of the chief deputy to another employee not involved in receiving cash and recording cash transactions.

Current Status: Management has reassigned some of the duties of the chief deputy during the audit.

COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF COURTS-CRIMINAL DIVISION

Schedule of Prior Audit Findings and Recommendations

1. Cash Management Issues

Condition: The management of the clerk of courts - 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 courts 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 courts personnel (check preparation, bank account reconciliation, etc.). Also, certain issues persist that need to be addressed:

- Computer systems for the clerk of courts 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.

Recommendation: The management of the clerk of courts - criminal 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 that are available. Criminal 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.

Lehigh County Clerk of Judicial Records

Civil Division

0) 782-314 8

Susan K. Bloom

Chief Deputy

Diane L. Washburn

Asst. Chief Deputy

Andrea E. Naugle

Lehigh County Courthouse

455 W. Hamilton Street - Room 132

Allentown, PA 18101-1614

Criminal Division

(610) 782-3077

Toni A. Remer

Chief Deputy

Virginia Schuler

Asst. Chief Deputy

December 30, 2008

Mr. Thomas Slonaker
Lehigh County Controller
Lehigh County Government Center
17 S. Seventh Street
Allentown PA 18101-2400

RE: Controller's Audit – 2006 – 2007 Criminal Division

Dear Mr. Slonaker:

I offer the following comments to your audit of findings and recommendations.

Automated Accounting System Deficiencies

The automated accounting system (CPCMS) is not under the control of the Clerk of Judicial Records. This state mandated system must be utilized by the Criminal Division in its daily duties and responsibilities. Since its inception in 2005, we have continually worked with the Administrative Office of Pennsylvania Courts (AOPC) to alleviate many issues with the CPCMS processes. Since this program is a statewide program and now is operating in all sixty seven counties in the Commonwealth, there is a large list of issues to be addressed by AOPC. Access by various employees within the Clerk's Office and Collections Department has been an on-going issue since Lehigh County is different than other counties. In most other counties, the Clerk is also the Collection agent and there is no separation of employees. The Clerk does not have any access to the programming or security level assignments. Reports are established by the AOPC. Proper paperwork was sent to AOPC requesting security access for each employee and subsequent new employees. Apparently over time something in their programming is changed and/or there is an issue which is investigated and access was incorrectly allowed. As soon as we are made aware of these issues, we notify AOPC and they correct immediately. We requested that they fix this issue on several occasions.

Perhaps the Controller (either personally or through the Controllers' state association) can assist the Clerk by also requesting AOPC to establish the required safeguards in their system. Additional reports can also be requested by the Controller to properly allow them to conduct a thorough audit. This finding is "not under the control" of the Clerk since the computer program is a "state mandated system".

Reporting of Abandoned and Unclaimed Property
Incorrect Reporting of Abandoned and Unclaimed Property in Prior Years

The auditor informed the Chief Deputy about incorrect reporting and this was reviewed and immediately taken care of with the State Department of Revenue.

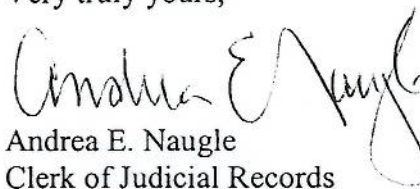
Segregation of Duties – Chief Deputy

The audit report period of 2006 and 2007 did not have the Chief Deputy completing any bank reconciliations.

In the beginning of 2008, after this writer was elected to the newly created position of Clerk of Judicial Records, and the prior Chief Deputy retired at the end of January, 2008, there was a short period of time in 2008 when the new Chief Deputy signed checks and began monthly bank reconciliations. I began training the newly appointed Chief Deputy and assisted with the completion of those monthly reports. As soon as the auditor brought this to our attention, the Chief Deputy was removed from check signing and does not void receipts unless an emergency arises.

As always, we appreciate the valuable advice and comments to continue to manage the Criminal Division and properly account for all monies in an excellent manner. We want to thank the auditor for the professional audit and his on-going help by suggesting helpful ideas for proper accounting records not only during the audit but also during the year.

Very truly yours,


Andrea E. Naugle
Clerk of Judicial Records