




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:** September 15, 2009  
**RE:** Audit of Clerk of Courts-Civil Division

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We have completed our financial audit of clerk of courts-civil division for the years ended December 31, 2006 and 2007. Our audit report number 09-47 is attached.

The results of our audit are:

- The County of Lehigh received the proper amounts due from the clerk of courts-civil division.
- "Odyssey" computer software lacks preventative controls.
- Positive pay system for disbursements has not been implemented.
- Funds held in escrow not reconciled with office bank account balance.
- No monthly reconciliation of individual "In Trust For" accounts held.

Attachment

AUDITS/COC-CIVIL DIVISION

COUNTY OF LEHIGH, PENNSYLVANIA

CLERK OF COURTS - CIVIL DIVISION

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

REPORT NO. 09-47

COUNTY OF LEHIGH, PENNSYLVANIA  
CLERK OF COURTS-CIVIL DIVISION

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COUNTY OF LEHIGH, PENNSYLVANIA  
CLERK OF COURTS-CIVIL DIVISION

*Background\**

The Clerk of Courts –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 remains current with all new legislation. To fulfill this responsibility, it is the mission of the Clerk of Courts – 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 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.





# COUNTY OF LEHIGH

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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 Courts-Civil Division for the years ended December 31, 2006 and 2007 as listed in the Table of Contents. The financial statements are the responsibility of the Clerk of Courts-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.

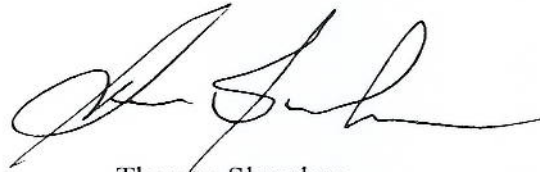
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 Courts-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, 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-Civil 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*".

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2009 our consideration of the Clerk of Courts-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

September 14, 2009  
Allentown, Pennsylvania

xc: Board of Commissioners  
Donald T. Cunningham, Jr., County Executive  
Brian L. Kahler, Fiscal Officer  
The Honorable William H. Platt, President Judge  
Susan T. Schellenberg, Court Administrator  
Troy Stone, Chief Information Officer  
Kathleen M. Warren, Software Development Manager

COUNTY OF LEHIGH, PENNSYLVANIA  
CLERK OF COURTS-CIVIL 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>Fees</i>	\$1,607,004	\$1,668,636
<i>Escrow/In Trust For Accounts</i>	264,129	359,534
<i>Customer Overages</i>	2,478	2,804
<i>Interest</i>	2,974	3,186
	-----	-----
Total Receipts .....	1,876,585	2,034,160
	-----	-----
Disbursements:		
<i>County of Lehigh</i>	1,439,335	1,495,021
<i>Other (Note 2)</i>	1,191,207	493,266
<i>Commonwealth of Pennsylvania</i>	170,534	176,682
	-----	-----
Total Disbursements .....	2,801,076	2,164,969
	-----	-----
Receipts Over (Under) Disbursements	(924,491)	(130,809)
Cash Balance, January 1	1,298,583	374,092
	-----	-----
Cash Balance, December 31 (NOTE 3)	\$ 374,092	\$ 243,283
	=====	=====

The accompanying notes are an integral part of this statement.



COUNTY OF LEHIGH, PENNSYLVANIA  
CLERK OF COURTS-CIVIL DIVISION

*Notes to Financial Statements  
for the Years Ended December 31, 2006 and 2007*

1. **Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Clerk of Courts-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 Courts-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 "In Trust For" 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 courts-civil division administers the collection and payment of these court-related costs.

Individual In-Trust-For 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>2006</u>	<u>2007</u>
Regular Account	\$ -0-	\$ -0-
Escrow Account	102,716	24,676
Individual In-Trust-For Accounts	<u>271,376</u>	<u>218,607</u>
TOTAL .....	\$374,092 =====	\$243,283 =====



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Andrea Naugle  
Clerk of Courts  
Lehigh County Courthouse  
455 West Hamilton Street  
Allentown, PA 18101-1614

We have audited the financial statements of the Clerk of Courts-Civil Division for the years ended December 31, 2006 and 2007 and have issued our report thereon dated September 14, 2009. 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-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 Courts-Civil Division's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clerk of Courts-Civil 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-Civil 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-Civil Division's financial statements that is more than inconsequential will not be prevented or detected by the Clerk of Courts-Civil 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-Civil Division's internal control.

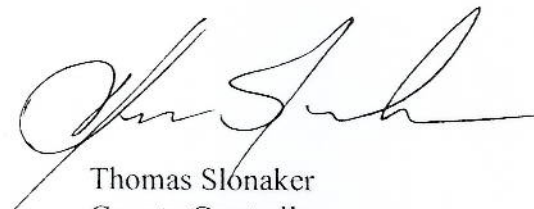
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

As part of obtaining reasonable assurance about whether Clerk of Courts-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 Courts-Civil Division in a separate section titled "*Schedule of Audit Findings and Recommendations*" and "*Schedule of Prior Audit Findings and Recommendations*".

Clerk of Courts-Civil Division's response to the findings identified in our audit are included in this report. We did not audit Clerk of Courts-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.



Thomas Slonaker  
County Controller

September 14, 2009  
Allentown, Pennsylvania



COUNTY OF LEHIGH, PENNSYLVANIA  
CLERK OF COURTS-CIVIL DIVISION

*Schedule of Audit Findings and Recommendations*

1. 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 being printed and reconciled with the bank account balance as of the June 2009 monthly report.

2. 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:** A report called “Registry & Trust Accounts with Balances” has been developed and will be submitted with the July 2009 monthly report.



3. 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 courts- civil division data should be limited only to authorized clerk of courts- 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.

**Unresolved:**

- There are 22 terminated/retired/transferred employees that are still listed as inactive users. The office of information technology is researching this issue.
- 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.

COUNTY OF LEHIGH, PENNSYLVANIA  
CLERK OF COURTS-CIVIL DIVISION

*Schedule of Prior Audit Findings and Recommendations*

1. Cash Management Issues

**Condition:** The management of the clerk of courts-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 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.

**Recommendations:** The management of the clerk of courts-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.



# Lehigh County Clerk of Judicial Records

**Civil Division**  
(610) 782-3148

**Criminal Division**  
(610) 782-3077

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Chief Deputy  
*Diane L. Washburn*  
Asst. Chief Deputy

*Andrea E. Naugle*  
Lehigh County Courthouse  
455 W. Hamilton Street - Room 132  
Allentown, PA 18101-1614

*Toni A. Remer*  
Chief Deputy  
*Virginia Schuler*  
Asst. Chief Deputy

September 14, 2009

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

RE: Clerk of Judicial Records – Civil Division

Dear Mr. Slonaker:

In response to your recent audit of the Civil Division covering the years 2006 and 2007, we offer the following comments.

Findings and Recommendations:

#1 – Funds Held in Escrow Not Reconciled with Bank Account Balance

The Clerk of Judicial Records – Civil Division began to include a printed copy of the “Money in Escrow” report with the monthly reconciliation report since June 2009. The “Money in Escrow” report was available previously but not requested by the Controller to be included with the monthly reports. These reports can be printed for any back period of time if requested by the Controller’s Office. We also must point out that the Controller noted that the bank account balance at the end of the year did agree with the balance listed in the escrow report. There has not been any indication of any problems with these Court Ordered escrow monies.

#2 – No Monthly Reconciliation of Individual “In Trust For” Accounts Being Held

As a result of this finding, a report entitled “Registry and Trust Accounts with Balances” was created to detail these account names and balances. Again there has not been any indication of any problems with these Court Ordered escrow monies.



### #3 – Computer Software Lacks Preventative Controls

The Odyssey program created by Tyler Technologies uses the industry standards as outlined by the National Center for State Courts. These national standards are used by various organizations. The current Lehigh County In-House Computer system has similar controls. Employees are not removed from the system after leaving employment – they are simply listed as inactive to allow the previous history of their entries into the system. All transactions made by staff are noted in the computer program history. Safeguards are established to ensure proper controls. Only Information Technology staff can activate or deactivate personnel.

As a result of the abolishment of the separate office of Clerk of Courts, Register of Wills and Recorder of Deeds, the Office of Clerk of Judicial Records was created. The staff of the Judicial Records includes four separate divisions. With cross training and re-assignment of personnel, there are employees who can perform duties in more than one division. This is an acceptable office practice and will be necessary in fulfilling the consolidation effort.

In the event of an upgrade of the Odyssey system, testing by staff is completed to check the program and verify the upgrades. The staff has been trained to expand this testing to cover as many financial details as possible. Apparently after one of the upgrades, the “back date” of a financial transaction was allowed. Again it must be pointed out that if it had transpired, there is a computerized record of such actions. This issue was corrected.

The bookkeeper was assigned the ability to void checks since she is the check issuer. The Odyssey computer program initially grouped the two void capabilities of checks and receipts together and, therefore, the bookkeeper was given the ability to void a check and a receipt. . However it must be noted that if you are **not** assigned a cash drawer, you can **not** void a receipt. The bookkeeper does **not** have a cash drawer assigned to her. Therefore, except under circumstances of several key management employees who would have the access to assign the bookkeeper a cash drawer to allow her to void a receipt is very unlikely and far fetched. Any action of this type is also noted in the computer records. This issue has been corrected by the Odyssey system and these capabilities were separated.

Another issue was that two Register of Wills employees were able to void Civil Division receipts. The two employees were previously Civil Division employees until January 2008 when they transferred to the Register of Wills Division. Only the Chief Deputy of the Wills Division (who was previously the Office Supervisor in the Civil Division) had access to void a receipt in the Civil Division. The other employee never had access to void a civil receipt, she only has access to void a receipt in the Wills Division.

Prior cash management issue:

Positive Pay has not been instituted in the Clerk of Judicial Records Offices.

In the past, there have been absolutely no issues in which the Clerk's Offices had lost any monies with respect to the issuing and paying of checks. We find that it is not a wise decision to spend unnecessary county monies on instituting Positive Pay when there is no reason. Also it should be noted that in addition to the equal interest rates that we receive from our banking institution, we do not pay service charges for various items. We believe this to be a valuable service and excellent choice by management.

As always, the Clerk of Judicial Records – Civil Division appreciates the suggestions and comments by the Controller's Office and the senior auditor who completed the audit and values his knowledge of the office functions.

Very truly yours,



Andrea E. Naugle

Clerk of Judicial Records