



Lehigh County
Pennsylvania


OFFICE OF THE CONTROLLER

Mark Pinsley, MBA

Nanton John, CFE

COUNTY CONTROLLER

DEPUTY CONTROLLER

TO: Final Report Distribution
FROM: Mark Pinsley, County Controller 
DATE: March 20, 2024
RE: Audit of Clerk of Orphans' Court Division 2021-2022 Final Audit Report

We have completed our financial audit of Clerk of Orphans' Court Division for the years ended December 31, 2021 and 2022. Our audit report number 24-10 is attached.

The results of our current audit are:

- The result of our audit is that the County of Lehigh received the proper amounts from the Clerk of Orphans' Court Division.
- Monthly account reconciliations were not performed in a timely manner (Repeat Finding)

AUDITS/ORPHANS' COURT



COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF ORPHANS' COURT DIVISION

Financial Audit for the Calendar Years ending December 31, 2021 and 2022

REPORT NO. 24-10

COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF ORPHANS' COURT DIVISION

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COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF ORPHANS' COURT DIVISION

*Background**

The Orphans' Court Division of the Court of Common Pleas is charged with the responsibility of supervising the administration of decedent's estates and trusts and the processing of adoptions, incapacity hearings, parental termination cases and miscellaneous disputes regarding these matters.

The name, Orphans' Court, is an anachronism derived from an era in which those persons who traditionally had no legal voice (minor children, widows, orphans, deceased persons) required an objective entity, the Court, to speak for them and assure that their rights and interests were protected. Today, the administration of non-profit organizations also comes within the jurisdiction of the Orphans' Court, and, in Lehigh County, settlements of lawsuits or claims in which minors are to receive money must be approved by the Orphans' Court Division. This process also ensures that the proceeds are deposited and preserved until the minor attains the age of majority.

The Clerk of Orphans' Court is also responsible for the issuance of marriage licenses upon "in-person" application by the couple.

*Source: 2022 Budget Narrative prepared by the Clerk of Orphans' Court Division



OFFICE OF THE CONTROLLER

Mark Pinsley, MBA Nanton John, CFE
COUNTY CONTROLLER DEPUTY CONTROLLER

Wendy A. Parr, Clerk of Orphans' Court
Lehigh County Courthouse
455 West Hamilton Street
Allentown, PA 18101

Report on Financial Statements

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balance of the Clerk of Orphans' Court Division for the calendar years ending December 31, 2021 and 2022 (hereinafter referred to as the Schedules) and the related notes to the Schedules.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of the Schedules in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Schedules based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedules, whether due to human error or fraud. In making those risk assessments, the auditor considers internal control relevant to management's preparation and fair presentation of the Schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of management's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluating the overall presentation of the Schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion on the Schedules

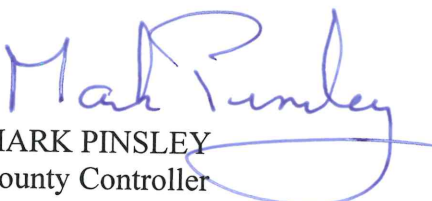
In our opinion, the Schedules referred to above present fairly, in all material respects, the financial activity arising from cash transactions of the Clerk of Orphans' Court Division for the calendar years ending December 31, 2021 and 2022, in accordance with the U.S. generally accepted accounting principles. **However, we noted control deficiencies or other management issues that are described in the accompanying "Schedule of Audit Findings and Recommendations".**

As discussed in Note 1, the Schedules 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 Schedules present only the Clerk of Orphans' Court Division's 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 calendar years ending December 31, 2021 and 2022 in conformity with the cash receipts and disbursements basis of accounting.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2024 on our consideration of Clerk of Orphans' Court 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* in considering management's internal control over financial reporting and compliance.


MARK PINSLEY
County Controller

March 15, 2024
Allentown, Pennsylvania

Audited by: Allan Vavra

xc: Phillips Armstrong, County Executive
Board of Commissioners
The Honorable J. Brian Johnson, President Judge
Timothy Reeves, Chief Fiscal Officer
Janet Thwaites, Esquire, Orphans' Court Counsel
Kerry Turtzo, Court Administrator

COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF ORPHANS' COURT DIVISION

*Statement of Receipts, Disbursements
and Changes in Cash Balance
for the Years Ended December 31, 2021 and 2022
(NOTE 1)*

	<u>2021</u>	<u>2022</u>
Receipts:		
Marriage License Fees	\$ 185,048	\$ 200,951
Office Fees (NOTE 2)	56,955	61,247
Adoption Counseling Fees (NOTE 2)	825	750
Commonwealth of PA JCS (Judicial Computer System Project) Fees (NOTE 2)	10,143	11,872
Guardianship Tracking Fees (NOTE 2)	220	420
Reimbursements (NOTE 3)	<u>19,681</u>	<u>5,513</u>
 Total Receipts.....	 <u>272,872</u>	 <u>280,753</u>
 Disbursements:		
County of Lehigh (NOTE 4)	225,683	230,491
Commonwealth of PA (NOTE 4)	46,364	49,512
 Total Disbursements.....	 <u>272,047</u>	 <u>280,003</u>
 Receipts Over/(Under) Disbursements	 825	 750
 Cash Balance, January 1	 <u>16,455</u>	 <u>17,280</u>
 Cash Balance, December 31 (NOTE 5)	 <u>\$ 17,280</u>	 <u>\$ 18,030</u>

The accompanying notes are an integral part of this statement.

COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF ORPHANS' COURT DIVISION

Notes to Financial Statement
For the Calendar Years ending December 31, 2021 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

A. Reporting Entity

The Clerk of Orphans' Court 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 and 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 Orphans' Court Division began using a new computer software called *Odyssey* in April of 2005. 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*.

NOTE 2 – FEES

A. Office Fees

Office fees consist of fees that are charged by the Clerk of Orphans' Court Division to conduct normal business – E-filing fees, automation fees, credit card fees, and returned check fees.

B. Adoption Counseling Fees

Section 2505 of Title 23 of the Pennsylvania Consolidated Statutes provides for a filing fee in the amount of \$75 to be paid by adopting parties and segregated in a fund established by the County. This fund is to be used to pay for counseling for individuals relinquishing parental rights who are unable to pay for such counseling.

C. Commonwealth of PA JCS Fees (Judicial Computer System Project)

The Pennsylvania Judicial Computer System Project was established in 1992 to computerize court systems throughout the state. This is a statutorily created fee imposed on "First filings of petitions concerning adoptions, incapacitated persons, estates of minors, and *inter vivos* trusts." Effective October 30, 2017, the JCS fee was increased from \$35.50 to \$40.25.

D. Guardianship Tracking Fees

This is a fee imposed on the guardians of adult-incapacitated persons to be submitted with inventory reports of the incapacitated individual's estate. Effective 11/1/22, the Guardian's Inventory fee was increased from \$15.00 to \$25.00.

NOTE 3 – REIMBURSEMENTS

The Guardianship Act, i.e., Act 24 of 1992, provides reimbursement of legal or witness costs associated with appointment of guardians for incapacitated persons who are unable to pay for these services. Grants (reimbursements) are received from the Pennsylvania Department of Public Welfare (DPW) in the year after such costs are incurred.

NOTE 4 – COMMONWEALTH OF PENNSYLVANIA

A. Commonwealth of Pennsylvania

Disbursements to the Commonwealth of Pennsylvania include marriage license application fees, and Judicial Computer System Project (JCS) fees.

B. County of Lehigh

Funds not disbursed to the Commonwealth of Pennsylvania are retained by the County of Lehigh, with the exception of the Adoption Counseling Fees mentioned in Note 2. These funds are held in a liability account, the cash balance of which is stated in Note 5.

NOTE 5 – CASH BALANCE, DECEMBER 31

The cash balance as of December 31 is comprised of:

	<u>2021</u>	<u>2022</u>
Funds Held by Lehigh County – Adoption Counselling Fees	<u>\$17,280</u>	<u>\$18,030</u>



OFFICE OF THE CONTROLLER

Mark Pinsley, MBA Nanton John, CFE
COUNTY CONTROLLER DEPUTY CONTROLLER

Wendy A. Parr, Clerk of Orphans' Court
Lehigh County Courthouse
455 West Hamilton Street
Allentown, PA 18101

We have audited, in accordance with the auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller of the United States; the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balance of the Clerk of Orphans' Court Division for the calendar years ending December 31, 2021 and 2022 (hereinafter referred to as the Schedules) and have issued our report thereon dated March 15, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the Schedules, we considered the Clerk of Orphans' Court Division's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedules, but not for the purpose of expressing an opinion on the effectiveness of management's internal control. Accordingly, we do not express an opinion on the effectiveness of the Clerk of Orphans' Court 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that 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.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention to those charged with governance.

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. Significant deficiencies or material weaknesses may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Clerk of Orphans' Court Division's Schedules 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*.

Our audit also included sufficient and appropriate tests for fraud, waste and abuse and we included in our report any material (either quantitatively or qualitatively) instances we noted however, our audit procedures would not necessarily identify all instances of fraud, waste and abuse that may be reportable.

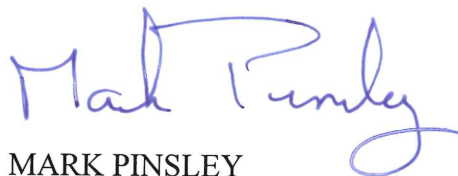
Management's Response to the Audit

If provided, the Clerk of Orphans' Court Division's response to our audit is included in this report. We did not audit the Clerk of Orphans' Court Division's response and, accordingly, we do not express an opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of management, others within the entity, and Phillips Armstrong, County Executive; Board of Commissioners; The Honorable J. Brian Johnson, President Judge; Timothy Reeves, Chief Fiscal Officer; Janet Thwaites, Esquire, Orphans; Court Counsel; and Kerry Turtzo, Court Administrator; 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.



MARK PINSLEY
County Controller

March 15, 2024
Allentown, PA

COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF ORPHANS' COURT DIVISION

Schedule of Audit Findings and Recommendations

1. Monthly account reconciliations were not performed in a timely manner (Repeat Finding)

Condition:

Monthly reconciliations during 2022 were not performed in a timely manner as recommended in the prior audit report (*Report #22-4 issued February 15, 2022*). Ten of the 12 reconcilements were completed outside the recommended target date of reconciling their transactions to the General Ledger by the middle of the subsequent month.

Without an effective reconcilment control, accounting errors may not be detected timely which also impacts the ability to make correcting entries. Timely reconciliation also serves as a mechanism for fraud detection and prevention.

Recommendation:

It is recommended that the Clerk of Orphans' Court Division reconcile their transactions to the General Ledger by the middle of the subsequent month. Management should take an active approach to performing reconcilements in a timely and efficient manner, while considering operational impact of process improvements in their corrective action plan.

Management's Response:

I am in the process of creating a procedure where the staff person submitting the daily deposit will save the reports, each day, to the J: drive rather than e-mailing to me to transfer to the J: drive. Making the process more streamline and reducing my workload to more timely review the month and submit to the controllers.

COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF ORPHANS' COURT DIVISION

*Schedule of Prior Audit Findings and Recommendations
(Report #22-4 issued February 15, 2022)*

1. Monthly account reconciliations were not performed in a timely manner

Condition:

Monthly reconciliation of Orphans' Court's accounts are requested by the Controller's Office on a regular, ongoing basis, and in a timely manner. Orphans' Court's monthly reconciliations of their case management software (Odyssey) transactions to the General Ledger, and the subsequent review by the Controller's Office helps to ensure that financial transactions are being recorded to the correct accounts, and that the Orphans' Court Division's financial statements are accurate and fair.

Monthly reconciliations have not been performed in a timely manner by Orphans' Court for a majority of the periods from 2019 to 2021, sometimes being completed up to six months late. Without an effective reconciliation control, accounting errors may not be detected timely which also impacts the ability to make correcting entries. Timely reconciliation also serves as a mechanism for fraud detection and prevention. See finding number two for an example of errors that can occur and remain uncorrected due to timing.

Recommendation:

It is recommended that the Clerk of Orphans' Court Division reconcile their transactions to the General Ledger by the middle of the subsequent month. Failure to do so can result in accounting errors going undetected and possible misstatement of financials. The Controller's Office is always available to offer guidance and assistance if any questions or issues arise during the reconciliation process.

Management's Response:

Management did not provide written comments in response to our report. However, as per discussion with Management, Orphans' Court is in the process of taking steps to address our findings and recommendations. These steps include hiring an additional full time employee to cut down on the amount of daily work processing performed by the Clerk of Orphans' Court, allowing more time for administrative duties, including, but not limited to, timely completion of monthly reconciliations.

Current Status: Improvement was made to reduce the timing of the reconciliations starting on 12/22/21. However, during 2022, ten of the 12 reconciliations were completed outside the recommended targeted date of reconciling their transactions to the General Ledger by the middle of the subsequent month.

2. State reimbursement was recorded to the wrong General Ledger account

Condition:

A specific General Ledger account called Other Grants and Reimbursements exists for recording reimbursements from the state. The Act 24 Guardianship Act reimbursement funds are recorded to this account in the year received. The funds are a reimbursement for the previous year. However, the 2019 reimbursement (\$9,548.50), received in 2020, was recorded, in error, to the Orphans' Court Fees and Commissions revenue account. This causes revenues for fees and commissions to be overstated, and the amount of grants and reimbursements received to be understated.

Although the amount may not significantly affect the financial statement, it is a good example of accounting errors that can go undetected, and remain incorrect if monthly reconciliations are not performed timely.

Recommendation:

See recommendation in finding number one above.

Management's Response:

Management did not provide written comments in response to our report. However, as per discussion with Management, Orphans' Court is in the process of taking steps to address our findings and recommendations. These steps include hiring an additional full time employee to cut down on the amount of daily work processing performed by the Clerk of Orphans' Court, allowing more time for administrative duties, including, but not limited to, timely completion of monthly reconciliations.

Current Status: Although recommended corrective action was not taken to remediate finding number one above, the 2020 and 2021 reimbursements amounts of \$19,681.25 and \$5,512.50 respectively were recorded in the correct general ledger account during 2021 and 2022.