



COUNTY OF LEHIGH
OFFICE OF THE CONTROLLER

LEHIGH COUNTY GOVERNMENT CENTER
17 SOUTH SEVENTH STREET
ALLENTOWN, PA 18101-2400
(610) 782-3082 FAX: (610) 871-2897

GLENN ECKHART
COUNTY CONTROLLER

JOHN A. FALK
DEPUTY CONTROLLER

TO: Final Report Distribution
FROM: Glenn Eckhart, County Controller G.E.
DATE: November 18, 2016
RE: Audit of Clerk of Judicial Records-Civil Division

We have completed our financial audit of Clerk of Judicial Records-Civil Division for the years ended December 31, 2013, 2014, and 2015. Our audit report number 16-39 is attached.

The results of our audit are:

- The County of Lehigh received the proper amounts due from the Clerk of Judicial Records-Civil Division.
- Management has agreed to include Federal Tax Lien payments into their automated accounting receipt system.
- We commend the Clerk of Judicial Records, her deputies, and staff for their efforts in automating filing and payment transactions.

Attachment

COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF JUDICIAL RECORDS - CIVIL DIVISION

*Financial Audit for the Years Ended
December 31, 2013, 2014, and 2015*

REPORT NO. 16-39

COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF JUDICIAL RECORDS-CIVIL DIVISION

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COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF JUDICIAL RECORDS-CIVIL DIVISION

Background*

The Civil Division maintains all civil related Court records and carries out the following duties and responsibilities:

1. Case initiation for all Civil Case Types.
2. Docket, index, and scan all civil cases, family court cases, judgments, notes, and liens.
3. Process Orders of the Court.
4. Collect, process, and distribute funds to various individuals and agencies (i.e., Department of Revenue, appeals, and divorce master fees, etc.).
5. Process and transmit cases to the appellate Courts.
6. Prepare writs upon praecipe (i.e., execution, attachment, seizure, summons, etc.).
7. Docket Protection from Abuse (PFA) case information, and prepare and transmit the PFA Data sheet to Pennsylvania State Police PFA registry.
8. Maintain a list of approved surety companies for posting bonds.
9. Register Notary Public signature and prepare County Clerk Certificates.
10. Accept passport applications for processing by Passport Services.
11. Assist the Department of Homeland Security with processing of applications for Naturalization Citizenship and the Naturalization Ceremony in the Courtroom.

Other Civil actions include:

- Mortgage Foreclosure
- Automobile Accidents
- Appeal from Civil Magisterial District Judge Judgment
- Medical/Professional Liability Action



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GLENN ECKHART
COUNTY CONTROLLER

JOHN A. FALK
DEPUTY CONTROLLER

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 Judicial Records-Civil Division for the years ended December 31, 2013, 2014, and 2015 as listed in the Table of Contents. The financial statements are the responsibility of the Clerk of Judicial Records-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 generally accepted government auditing 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 Judicial Records-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, 2013, 2014, and 2015 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 Judicial Records-Civil Division for the years ended December 31, 2013, 2014, and 2015, 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 Auditing Findings and Recommendations*".

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2016 on our consideration of the Clerk of Judicial Records-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.

A handwritten signature in dark ink, appearing to read 'Glenn Eckhart', with a stylized, overlapping structure.

Glenn Eckhart
County Controller

Audited by Thomas Schweyer

November 16, 2016
Allentown, Pennsylvania

xc: Board of Commissioners
The Honorable J. Brian Johnson, Administrative Judge of the Civil Division
Thomas Muller, County Executive
Timothy Reeves, Fiscal Officer
The Honorable Edward Reibman, President Judge
John Sikora, Deputy Court Administrator
Kerry Turtzo, Court Administrator

COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF JUDICIAL RECORDS-CIVIL DIVISION

*Statement of Receipts, Disbursements, and
Changes in Cash Balance for the
Years Ended December 31, 2013, 2014, and 2015*
(NOTE 1)

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Fees and Regular Escrow (NOTE 2)			
Receipts:			
County	\$1,597,679	\$1,484,915	\$ 1,519,256
State	392,537	435,521	565,226
Escrow	<u>96,469</u>	<u>209,271</u>	<u>160,028</u>
Total Receipts	2,086,685	2,129,707	2,244,510
Disbursements:			
County	1,990,216	1,920,435	2,084,483
Escrow	<u>121,232</u>	<u>79,618</u>	<u>251,268</u>
Total Disbursements	(2,111,448)	(2,000,053)	(2,335,751)
Excess of Receipts Over/(Under) Disbursements	(24,763)	129,654	(91,241)
Cash Beginning - Escrow	<u>39,517</u>	<u>14,754</u>	<u>144,408</u>
Cash Ending Escrow	<u>\$ 14,754</u>	<u>\$ 144,408</u>	<u>\$ 53,167</u>
 Individual Escrow (NOTE 3)			
Receipts	\$ 917	\$ 24,173	\$ 9,891
Disbursements	<u>(42,864)</u>	<u>(837)</u>	<u>(117,526)</u>
Excess of Receipts Over (Under) Disbursements	(41,947)	23,336	(107,635)
Cash Beginning – Individual Escrow	<u>244,649</u>	<u>202,702</u>	<u>226,038</u>
Cash Ending – Individual Escrow	<u>\$ 202,702</u>	<u>\$ 226,038</u>	<u>\$ 118,403</u>

The accompanying notes are an integral part of this statement.

COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF JUDICIAL RECORDS - CIVIL DIVISION

*Notes to Financial Statements
for the Years Ended December 31, 2013, 2014 and 2015*

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Clerk of Judicial Records-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.

2. Fees and Regular Escrow

- A. Transactions in this category are processed through the automated accounting system named ODYSSEY.
- B. County Receipts are fees for service retained by the county.
- C. State Receipts are the portion of the fees due to the state.
- D. Escrow Receipts and Disbursements represent legally disputed amounts deposited pursuant to statute or court order, held pending adjudication and subsequent disbursement by court order. Also included are amounts representing prepayment of anticipated court service costs.
- E. County Disbursements are the total of County and State Receipts deposited in the county bank account.

3. **Individual Escrow Accounts**

These monies are deposited into separate individual interest-bearing bank accounts under the participant's Federal Tax Identification Number and are disbursed by court order only. These amounts represent legally disputed amounts pending adjudication.



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JOHN A. FALK
DEPUTY CONTROLLER

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 Judicial Records-Civil Division for the years ended December 31, 2013, 2014, and 2015 and have issued our report thereon dated November 16, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the generally accepted government auditing 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 Judicial Records-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 Judicial Records-Civil Division's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clerk of Judicial Records-Civil 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 misstatements on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

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 Judicial Records-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 the management of the Clerk of Judicial Records-Civil Division in separate sections titled "*Schedule of Audit Findings and Recommendations*" and "*Schedule of Prior Audit Findings and Recommendations*".

The Clerk of Judicial Records-Civil Division's response to our audit is included in this report. We did not audit the Clerk of Judicial Records-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.



Glenn Eckhart
County Controller

November 16, 2016
Allentown, Pennsylvania

COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF JUDICIAL RECORDS-CIVIL DIVISION

Schedule of Audit Findings and Recommendations

1. Federal Tax Lien payments are not receipted in automated accounting system

Condition: Federal Tax Lien payments from the Internal Revenue Service are not receipted in the automated accounting system (ODYSSEY). These funds are sent electronically to the County of Lehigh. Upon receipt, the Office of Fiscal Affairs notifies CIVIL to process the federal liens for which payment has been made. The revenues are only recorded in the County General Ledger.

The lack of a central repository for financial activity limits management's ability to monitor financial activity and complicates compilation of data for monthly reporting purposes. Based on (unaudited) amounts provided by management, receipts for federal tax liens amounted to \$56,517 for the years 2013 through 2015. In addition, corresponding case financial transactions do not reflect the payment date.

Recommendation: Management should commence issuing receipts in ODYSSEY for federal tax lien payments as soon as practical. The Department of Information Technology should be consulted as to the best method for entering and tracking these receipts.

COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF JUDICIAL RECORDS-CIVIL DIVISION

Schedule of Prior Audit Findings and Recommendations
(Report #13-49 issued September 10, 2013)

1. System Deficiencies

Condition: The following system related issues were uncovered during the audit:

Odyssey (Civil Divisions Third Party Accounting and Case Management System) -

- Odyssey does not include accounts for cash overages and shortages on system generated reports. These amounts have been penciled in during daily and month-end reconciliations.
- Cash composition is not detailed on the “receipt journal by fund and fee code” report generated by Odyssey. However, it is detailed on a separate, unnamed report.

KEA (Lehigh County Accounting System) -

- The Civil, Criminal, and Register of Wills Divisions of the Clerk of Judicial Records are accounted for under one department – The Clerk of Judicial Records. Certain revenues such as return checks fees, other departmental earnings, and cash overages and shortages generated within each office of the Clerk of Judicial Records are combined and not designated as separate office receipts.

Recommendation: Management of the Clerk of Judicial Records – Civil Division should implement the following:

1. Since Odyssey is the office’s formal accounting system and case management software, management should request Tyler Technologies develop and implement a chart of accounts which mirrors each account used by the County of Lehigh’s accounting system (KEA). This ensures proper recordkeeping and reconciliation between the County of Lehigh’s accounting system and the Civil Divisions daily cash receipts. Overages and shortages should be recorded and reported electronically using Odyssey’s accounting functions.
2. To facilitate efficiency in daily and monthly reconciliation procedures, daily financial data (receipts generated, cashier and cash register designation, and the composition of cash/credit received) should be inclusive in one report (receipt journal by fund and fee code report).
3. Management should request that the County of Lehigh separate the Clerk of Judicial Records - Civil, Criminal, and Register of Wills Divisions’ accounts to ensure monies generated in each office are properly accounted for. If separate account designations cannot be created, daily receipts generated in the Civil Division and transmitted to the Fiscal Office should be designated specifically as Civil Division receipts to ensure a proper audit trail exists for all revenues generated.

Management Response (Clerk of Judicial Records): “Odyssey does not include accounts for cash overages and shortages on system generated reports. These amounts have been penciled in during daily and month-end reconciliations.” – This issue is a computer program issue which was addressed in 2006 with our Information Technology (I.T.) Department and it was listed as an issue and placed on a list of requests for the Odyssey Computer Program updates. The bookkeeper lists it on the monthly reports since it does not appear on the printed reports – she obtains the information from the daily receipts. We will again request I.T. to see what the status is of this request. We must note that all upgrades or changes are completed with a cost attached.

“Cash composition is not detailed on the ‘receipt journal by fund and fee code’ report generated by Odyssey. However, it is detailed on a separate unnamed report.” -- This was never an issue before by the auditor. The information is available on the daily till and detailed receipts and can certainly be obtained by the auditor. These reports will be printed for future audits.

“The Civil, Criminal, and Register of Wills Division of the Clerk of Judicial Records are accounted for under one department - The Clerk of Judicial Records. Certain revenues such as return check fees, other departmental earnings, and cash overages and shortages generated with each office of the Clerk of Judicial Records are combined and not designated as separate office receipts.” - This was completed by the County’s administration and Fiscal Office effective with the elimination of the Clerk of Courts, Recorder of Deeds and Register of Wills elected positions and new position of the Clerk of Judicial Records. The Recorder of Deeds’ budget and all line items associated with its revenue and expenditures remained separate. The Register of Wills information was combined with the Civil and Criminal Divisions. (It also should be noted that the Civil and Criminal Divisions were already combined back to 1978 when the original Home Rule Charter combined the Prothonotary (Civil) and the Clerk of Courts (Criminal) into one position known as the Clerk of Courts.) It has always been added responsibilities on the separate divisions to decipher monthly the various combined items and to designate for each monthly report the amounts in order to complete the end of the month balances and reports.

This matter is not under the control of the Clerk of Judicial Records and can only be corrected by the Administration or Fiscal Officer.

Management Response (Fiscal Officer): The Fiscal Office has created separate accounts for Civil and Criminal Divisions as requested.

33241 Cash Over – Customer – Civil
33242 Cash Over – Teller – Civil
33243 Cash Shortage – Customer – Civil
33244 Cash Shortage – Teller – Civil

Accounts 33176 Return Check fees and 35111 Interest will remain the same.

Current Status: Management has implemented audit recommendations.

Lehigh County Clerk of Judicial Records

Andrea E. Naugle
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Civil Division
(610) 782-3148

Diana L Dergham
Chief Deputy

MEMORANDUM

To: Glenn Eckhart, Controller

From: Andrea E. Naugle, Clerk of Judicial Records
Diana L. Dergham, Chief Deputy-Civil Division

Andrea E Naugle
Diana L Dergham

Re: Audit Report Recommendations

Date: November 16, 2016

Thank you for your audit of the Clerk of Judicial Records- Civil Division for the years ended December 31, 2013, 2014, and 2015.

Recommendation #1 suggested the Clerk should commence issuing receipts in Odyssey for federal tax lien payments which are electronically received.

In response to your finding, we were unable to issue a receipt in the past because the Odyssey computer program was not set up to receipt money that was not added to total balance of the individual cash drawers.

After reviewing your audit recommendation, we discussed the matter with our Information Technology staff. They have reviewed the process and since we are now accepting e-filings with electronic payments, we will be able to generate receipts in Odyssey without changing the daily balance of the employee's cash drawer. This practice will begin December 1st, 2016.

As noted all Prior Audit Findings and Recommendations on Report #13-49 issued September, 10, 2013 have been resolved.