



COUNTY OF LEHIGH
OFFICE OF THE CONTROLLER

LEHIGH COUNTY GOVERNMENT CENTER
17 SOUTH SEVENTH STREET
ALLENTOWN, PA 18103-2400
(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: September 22, 2017
RE: Audit of Bureau of Collections

We have completed a financial audit of Bureau of Collections, County of Lehigh, Pennsylvania for the year ended December 31, 2016. Our audit report number 17-17 is attached.

The results of our audit are:

- The *Statement of Receipts and Disbursements for the year ended December 31, 2016* presents fairly, in all material aspects, the financial activity for the Bureau of Collections.
- Management has adequately addressed prior audit issues.

Attachment

COUNTY OF LEHIGH, PENNSYLVANIA
BUREAU OF COLLECTIONS

Financial Audit
For the Year ended December 31, 2016

REPORT NO. 17-17

COUNTY OF LEHIGH, PENNSYLVANIA
BUREAU OF COLLECTIONS

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Bureau of Collections' Response	No Response

COUNTY OF LEHIGH, PENNSYLVANIA
BUREAU OF COLLECTIONS

Background*

The Bureau of Collections is responsible for the collection of criminal court costs, fines, restitution, civil court PFA filings and prison room and board. The Bureau utilizes the Common Pleas Case Management System, a computer software application centralizing collections throughout the State of Pennsylvania. Local fines and restitution are disbursed directly to the local governments and the crime victims, respectively.

The Bureau of Collections has collected \$8,992,159 for 2016. Increased collections have resulted from implementing a standardized enforcement process and cross training of fiscal and enforcement employees, in order to maximize collections for the county, state, and victims owed restitution. Payment plans are spread over a period of months or years, depending on the defendant's sentencing order, and/or their ability to pay with some assessments still being collected from the early 1980's. The Bureau of Collections has consistently made Lehigh County's collection rate the highest in the state, when comparing it to other 3rd class counties. Collection rates for 2016 were 33%. Collection rates will increase over time due to payments being made on time-honored payment plans that can stretch over a period of years. The collection rate for Lehigh County is in excess of 60% for cases adjudicated during 2007, the first year in which the AOPC analyzed collection rates throughout the state.

Enforcement officers conduct conferences to determine a defendant's ability to pay. This is based on income and expense detail solicited during the initial conference. Enforcement officers routinely follow-up with defendants who have missed payments. If an enforcement officer believes a defendant has willfully neglected to pay on their agreed-upon payment plan, or a payment plan cannot be established, the defendant will be scheduled for a contempt hearing. Fiscal staff accept, process, and distribute payments received from defendants to the state, municipalities, and to victims owed restitution. Fiscal staff members have processed 59,322 transactions, enforcement officers conducted 3,882 conferences, and have scheduled 1,828 defendants for contempt proceedings during 2016. These contempt proceedings generated 353 body attachments for defendants who missed their court hearing, payments prior to, or during the hearing of \$401,041, and 39 contempt orders for willful failure of defendants to pay their court-ordered costs, fines, and restitution. Court-ordered purge amounts ranged from a minimum of \$100 to a maximum of \$1,500, generating a total of \$15,440.60 during 2016.

*SOURCE: Stephen Berndt, CFE, Director
Lehigh County Bureau of Collections

Note: Except for 2016 collections of \$8,992,159, the amounts noted above are not included in the scope of this audit.



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JOHN A. FALK
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Stephen Berndt, Director
Bureau of Collections
Lehigh County Courthouse
455 Hamilton Street
Allentown, PA 18101-1614

We have audited the accompanying Statement of Receipts and Disbursements of the Bureau of Collections for the year ended December 31, 2016 as listed in the Table of Contents. The financial statements are the responsibility of the Bureau of Collections' management. Our responsibility is to express an opinion on the Statement of Receipts and Disbursements based on our audit.

We conducted our audit in accordance with the 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 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 Bureau of Collections 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 year ended December 31, 2016 in conformity with the cash receipts and disbursements basis of accounting.

In our opinion, the Statement of Receipts and Disbursements referred to above presents fairly, in all material respects, the financial activity arising from cash transactions of the Bureau of Collections for the year ended December 31, 2016, 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 Prior Audit Findings and Recommendations*".

In accordance with *Government Auditing Standards*, we have also issued a report dated September 20, 2017 on our consideration of Bureau of Collections' 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.



GLENN ECKHART
County Controller

September 20, 2017
Allentown, Pennsylvania

Audited by: Thomas Schweyer

Final Distribution:

Board of Commissioners

Ann Marie Egizio, Chief Probation Officer, Adult Probation

Elizabeth Fritz, Chief Probation Officer, Juvenile Probation

Joseph Hanna, Sheriff

Ralph Hunsicker, AOPC

James Martin, District Attorney

Thomas Muller, County Executive

Andrea Naugle, Clerk of Judicial Records

Timothy Reeves, Fiscal Officer

The Honorable Edward Reibman, President Judge

Mary Sabol, Director of Corrections

John Sikora, Deputy Court Administrator

Kerry Turtzo, Court Administrator

COUNTY OF LEHIGH, PENNSYLVANIA
BUREAU OF COLLECTIONS

Statement of Receipts and Disbursements
For the Year ended December 31, 2016
(NOTE 1)

Receipts:	
Office Receipts (NOTE 2)	\$ 8,992,159
Credit Card Fee Reimbursements (NOTE 3)	<u>41,139</u>
Total Receipts	<u>9,033,298</u>
Disbursements: (NOTE 2)	
Costs & Fines – County of Lehigh	\$ 5,231,158
Costs & Fines – PA Department of Revenue	2,313,478
Costs & Fines – Other Municipalities	228,858
Refunds & Restitution	1,117,912
Credit Card Fees (NOTE 3)	<u>41,139</u>
Total Disbursements	<u>8,932,545</u>
Excess of Receipts Over Disbursements	100,753
Cash in Bank - January 1, 2016	<u>878,854</u>
Cash in Bank – December 31, 2016	<u>\$ 979,607</u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF LEHIGH, PENNSYLVANIA
BUREAU OF COLLECTIONS

Notes to Financial Statement
For the Year ended December 31, 2016

1. Summary of Significant Accounting Policy

A. Reporting Entity

A portion of the Bureau of Collections' 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. The remaining financial activity is part of other governmental entities. 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 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. Office Receipt and Disbursement Activity

Office receipts are generated by defendant payments for court assessed costs and fines, victim restitution, and Lehigh County Prison room and board charges. Disbursements consist of restitution payments to Lehigh County, other local government entities, businesses, and individuals. Disbursements also include monies refunded to defendants when all costs, fines, and restitution assessments have been satisfied.

3. Credit Card Fees and Subsequent Reimbursement

Each credit card payment made by a defendant for the satisfaction of costs and fines is accompanied by a credit card surcharge fee which is assessed to the Lehigh County Bureau of Collections for the use and acceptance of credit card payments. The cost of credit card transactions are included as a disbursement on the Bureau of Collections accounting records and disbursed from the Bureau of Collections bank account. A subsequent reimbursement by the Lehigh County Fiscal Office occurs on a monthly basis.



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We have audited the Statement of Receipts and Disbursements of the Bureau of Collections for the year ended December 31, 2016 and have issued our report thereon dated September 20, 2017. 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 Bureau of Collections' 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 and Disbursements but not for the purpose of expressing an opinion on the effectiveness of the Bureau of Collections' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Bureau of Collections' 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 as 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.

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 Bureau of Collections' 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 Bureau of Collections in a separate section titled "*Schedule of Prior Audit Findings and Recommendations*".

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 dark ink, appearing to read 'Glenn Eckhart', written in a cursive style.

Glenn Eckhart
County Controller

September 20, 2017
Allentown, Pennsylvania

COUNTY OF LEHIGH, PENNSYLVANIA
BUREAU OF COLLECTIONS

Schedule of Prior Audit Findings and Recommendations

(Audit Report #15-12 issued October 14, 2015)

1. Control Weakness Bank Reconciliation

Condition: There is a \$1,282.46 difference between the CPCMS book and CPCMS bank balance on an ongoing basis. This difference originated during the initial implementation of CPCMS.

Recommendation: Management should request the Administrative Office of the Pennsylvania Courts (AOPC) or the Lehigh County Fiscal Office remove or write-off the \$1,282.46 reconciliation difference.

Management's Response: As of September 21, 2015, the Administrative Office of Pennsylvania Courts (AOPC) completed two data fixes, in the total amount of \$1,282.46, which were applied to production as detailed below. The below fixes will correct the ongoing difference between the CPCMS book and the CPCMS bank balance:

- The AOPC created a \$1,068.38 debit record to offset the difference in regards to the 12/30/2005 reconciliation.
- The AOPC created a \$214.08 debit record to offset the difference in regards to the 12/20/2006 reconciliation.

Current Status: The AOPC has corrected the difference.

2. Credit Card Fees

Condition: Fees, in the amount of \$34,446, (charged to the County of Lehigh), for the use of credit card transactions made at the Bureau of Collections department by defendants, are not being recovered from clients who make payments via credit card.

Recommendation: Similar to a majority of other businesses, the County of Lehigh and the Bureau of Collections Department should consider requiring that all payments, via credit card, be accompanied by a surcharge fee to the client to cover the cost of credit card transaction fees charged to the County of Lehigh.

Management's Response: During four days of the audit period, the Bureau of Collections (hereinafter referred to as the "Bureau") credit card processing equipment failed, which required the Bureau to offer clients using a credit card as a form of payment, to make payments, via the AOPC's online EPAY process. This process required clients to pay a surcharge fee of \$2.75 per transaction. What the Bureau found was that a majority of clients refused the service, due to the surcharge fee, and requested to be placed on a time honored payment plan. Therefore, it appears that instituting a credit card surcharge fee would be detrimental in our efforts to collect up-front payments made, via credit card. As such, management declines the recommendation and views the cost of the surcharge fee, charged to the County of Lehigh, as a cost associated with the expedient collection of court-ordered costs, fines, and restitution.

Current Status: Credit card fees charged to the County for the year ended December 31, 2016 amounted to \$41,139.