



COUNTY OF LEHIGH
OFFICE OF THE CONTROLLER

LEHIGH COUNTY GOVERNMENT CENTER
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GLENN ECKHART
COUNTY CONTROLLER

JOHN A. FALK
DEPUTY CONTROLLER

TO: Final Report Distribution
FROM: Glenn Eckhart, County Controller *G.E.*
DATE: January 2, 2019
RE: Domestic Relations Section

We have completed our financial audit of the Domestic Relations Section (DRS) for the period of October 1, 2017 to September 30, 2018. Our audit report number 19-1 is attached.

The results of our current audit are:

- Funds sent directly to the Domestic Relations Section, but made payable to another entity, are being sent back to the remitter without being deposited.
- No-Sale logs are not being completed or approved timely.

Attachment

AUDITS/DOMESTIC RELATIONS

COUNTY OF LEHIGH, PENNSYLVANIA

DOMESTIC RELATIONS SECTION

*Financial Audit for the Period of
October 1, 2017 to September 30, 2018*

REPORT NO. 19-1

COUNTY OF LEHIGH, PENNSYLVANIA
DOMESTIC RELATIONS SECTION

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COUNTY OF LEHIGH, PENNSYLVANIA
DOMESTIC RELATIONS SECTION

Background*

MISSION STATEMENT

The mission of the Lehigh County Domestic Relations Section is to provide services to dependent children and spouses through establishment of paternity, establishment of support orders, and enforcement of support orders. This mission is accomplished with respect for the needs of all parties involved in the support case.

The Domestic Relations Section provides all services in compliance with Federal, State, and local laws, and local Rules of Court.

Introduction

The Domestic Relations Section (DRS) is part of the Family Court of the Lehigh County Court of Common Pleas which provides support services to custodial parents seeking financial support from an absent or non-custodial parent. Additionally, the DRS establishes support orders for dependent spouses.

The DRS consists of judges, managers, hearing officers, conference officers, and various technical and clerical support staff. The DRS staff is assisted by the PACSES (Pennsylvania Child Support Enforcement System) statewide computer system and is trained to make recommendations to the Court for support amounts when the parties involved in the support case are unable to come to an agreement.

*Source: Domestic Relations Website – www.lccpa.org/family/drs



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Julia Parker Greenwood, Director
Domestic Relations Section (DRS)
Fourteen North Sixth Street
Allentown, PA 18101

Report on Financial Statements

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balance of the Domestic Relations Section for the period of October 1, 2017 to September 30, 2018 (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 judgement, 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 Domestic Relations Section for the period of October 1, 2017 to September 30, 2018, 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 Domestic Relations Section’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 period of October 1, 2017 to September 30, 2018 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 December 26, 2018 on our consideration of Domestic Relations Section’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.



GLENN ECKHART
County Controller

December 26, 2018
Allentown, Pennsylvania

Audited by: Stephen Berndt

xc: Phillips Armstrong, County Executive
Board of Commissioners
Timothy Reeves, Fiscal Officer
The Honorable Edward Reibman, President Judge
Kerry Turtzo, Court Administrator

COUNTY OF LEHIGH, PENNSYLVANIA
DOMESTIC RELATIONS SECTION

*Statement of Receipts, Disbursements
and Changes in Cash Balance
for the Period of October 1, 2017 to September 30, 2018*

(NOTE 1)

	Fee Account (NOTE 2)	Support Account (NOTE 2)	Title IV-D Account (NOTE 2)	<u>Total</u>
Receipts (NOTE 3)				
Fees	15,782			15,782
Bank Fee Reimbursement	2,677			2,677
Support Payments		1,337,314		1,337,314
Escrow Payments		78,251		78,251
Reimbursements			3,187,962	3,187,962
Incentive Payments			555,542	555,542
C&Y Assess Grant				
Interest	<u> </u>	<u> </u>	<u>38</u>	<u>38</u>
Total Receipts	<u>18,459</u>	<u>1,415,565</u>	<u>3,743,542</u>	<u>5,177,566</u>
Disbursements (NOTE 4)				
Transfer to County	15,199		3,742,673	3,757,872
Bank Fees	3,376		865	4,241
Adjustments	(116)			(116)
Transfer to SCDU		1,339,698		1,339,698
Escrow Transfer to SCDU		68,898		68,898
Escrow Transfer to County		46,274		46,274
Other Transfers				
Miscellaneous	<u> </u>	<u>54</u>	<u> </u>	<u>54</u>
Total Disbursements	<u>18,459</u>	<u>1,454,924</u>	<u>3,743,538</u>	<u>5,216,921</u>
Receipts over Disbursements	0	(39,359)	4	(39,355)
Cash Balance, October 1	<u>0</u>	<u>52,104</u>	<u>1,002</u>	<u>53,106</u>
Cash Balance, September 30	<u>0</u>	<u>12,745</u>	<u>1,006</u>	<u>13,751</u>

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

COUNTY OF LEHIGH, PENNSYLVANIA
DOMESTIC RELATIONS SECTION

Notes to Financial Statement
For the Period of October 1, 2017 to September 30, 2018

1. Summary of Significant Accounting Policy

A. Reporting Entity

A portion of the Domestic Relations Section's (DRS) financial activity is part of the County of Lehigh's reporting entity, the Federal IV-D fund, and is subject to annual financial audit by external and state auditors.

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.

2. Bank accounts

The DRS maintains three separate bank accounts for fees, support payments, and Title IV-D reimbursements.

- A. The fee account is for petition modification fees and copy charges. Deposits are swept daily into a county bank account.
- B. The support account is for "time sensitive" support and escrow payments. Funds are swept daily into the PA Support Collections and Disbursement Unit (SCDU) account maintained by the state.
- C. The Title IV-D account is used for electronic payments from the state for monthly operating cost reimbursements and quarterly incentive bonuses. Funds are swept into a county bank account when received.

3. Receipts

Receipts come from the following sources:

- A. Fees – from DRS clients and/or attorneys for petition modification fees and copy charges
- B. Bank Fee Reimb – from the county for reimbursement of bank fees
- C. Support Payments – from DRS clients for support in arrears or initial support payments
- D. Escrow Payments – from DRS clients required to make support payments in advance
- E. Reimbursements – from the state for monthly operating cost
- F. Incentive Payments - from the state for quarterly incentive bonuses
- G. C & Y Assess Grant – from SCDU, paid from support funds
- H. Interest – interest earned on bank account balances

4. Disbursements

Disbursements are made to the following recipients:

- A. Trans to County – fees and state reimbursements transferred to county bank accounts
- B. Bank Fees – fees charged by the bank
- C. Adjustments – correction of prior period transactions
- D. Trans to SCDU – support payments electronically transferred to SCDU
- E. Escrow Trans to SCDU – escrow payments electronically transferred to SCDU
- F. Escrow Trans to County – escrow payments transferred to the county via check
- G. Other Trans – a portion of the state reimbursement transferred to other county departments
- H. Misc – transcription fee transferred to the county



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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 Domestic Relations Section for the period of October 1, 2017 to September 30, 2018 (hereinafter referred to as the Schedules) and have issued our report thereon dated December 26, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the Schedules, we considered the Domestic Relations Section'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 Domestic Relations Section'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 Domestic Relations Section'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 Domestic Relations Section's response to our audit is included in this report. We did not audit the Domestic Relations Section'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; Timothy Reeves, Fiscal Officer; The Honorable Edward Reibman, President Judge; 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.



GLENN ECKHART
County Controller

December 26, 2018
Allentown, PA

COUNTY OF LEHIGH, PENNSYLVANIA
DOMESTIC RELATIONS SECTION

Schedule of Audit Findings and Recommendations

1. Funds Returned to Remitter

Condition: Regular support payments received at the Domestic Relations Section, but made payable to the Pennsylvania State Collection and Disbursement Unit (SCDU), or another county, are returned to the remitter without being deposited.

Recommendation: All funds received should be deposited with any needed refunds processed via the County's request for payment process to ensure adequate internal control and a complete audit trail of financial transactions. If payments are unable to be deposited by the Domestic Relations Section, a log of returned payments should be completed, reviewed, and approved by management on a recurring basis.

2. No-Sale Logs are Not Completed or Reviewed on a Recurring Basis

Condition: There were three "no-sale" cashier transactions that did not appear on the "no-sale" log required by management. Furthermore, the "no-sale" log was not reviewed and approved by management on a recurring basis.

Recommendation: The management of the Domestic Relations Section should run a "no-sale" report monthly and reconcile any transactions on the "no-sale" report, to the "no-sale" log to ensure transactions of these types are properly accounted for and approved.

**Lehigh County Domestic Relations Section
Response to Audit Findings and Recommendations**

(Audit Period – October 1, 2017-September 30, 2018)

1. Funds Returned to Remitter

Any check or money order payments that are received by mail, and not made payable to the Domestic Relations Section (DRS), are returned to the client. The DRS does not have the ability to deposit the payment into our support account(s) if the payment is not made payable to the DRS. The cashier enters a note on the PACSES computer system that the payment could not be accepted, and is being returned to the client with instructions for sending the payment to the Pennsylvania State Collection and Disbursement Unit (PA-SCDU).

Based on the recommendation, the cashier will also complete an electronic log of any payments that were unable to be deposited and had to be returned to the client. Management will review and approve the log on a monthly basis.

2. No-Sale Logs are Not Completed or Review on a Recurring Basis

No-Sale logs are completed on a daily basis by the cashiers. For the audit period reviewed, only three entries were found to be missing from the paper logs, which amounts to a very small margin of error.

Based on the recommendation, the cashier will complete an electronic log whenever a “no sale” transaction occurs. Management will review the “no sale” log on a monthly basis by comparing the log with a “no sale” cash register report (if it becomes available), or by comparing the log to the internal cash register roll.