



COUNTY OF LEHIGH
OFFICE OF THE CONTROLLER

LEHIGH COUNTY GOVERNMENT CENTER
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GLENN ECKHART
COUNTY CONTROLLER

THOMAS GROGAN
DEPUTY CONTROLLER

TO: Final Report Distribution
FROM: Glenn Eckhart, County Controller *G.E.*
DATE: August 14, 2019
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, 2018. Our audit report number 19-14 is attached.

The results of our audit are:

- The *Statement of Receipts and Disbursements for the year ended December 31, 2018* presents fairly, in all material aspects, the financial activity for the Bureau of Collections.
- Payments received through the mail are being returned to the sender without being receipted or deposited.
- While there has been no statistically significant increase in the number of contempt hearings from 2017 to 2018, there has been an approximate increase of 25% in the number of cases wherein arrears are waived or deferred.

Attachment

COUNTY OF LEHIGH, PENNSYLVANIA

BUREAU OF COLLECTIONS

*Financial Audit
For the Year ended December 31, 2018*

REPORT NO. 19-14

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 \$8,959,241 for 2018. 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 2018 were 32%. Collection rates will increase over time due to payments being made on time-honored payment plans that can stretch over a period of years.

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 53,693 transactions, enforcement officers conducted 4,222 conferences, and have scheduled 1,978 defendants for contempt proceedings during 2018. These contempt proceedings generated 497 body attachments for defendants who missed their court hearing, payments prior to, or during the hearing of \$513,155, and 0 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 \$18,252 during 2018.

*SOURCE: Amber Gorman, Accountant
Danielle Schaeffer, Chief Hearing Officer
Lehigh County Bureau of Collections

Note: Except for 2018 collections of \$8,959,241, the amounts noted above are not included in the scope of this audit.



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Timothy Reeves, Fiscal Officer
Office of Fiscal Affairs
Lehigh County Government Center
17 South Seventh Street
Allentown, PA 18101-2400

Report on Financial Statements

We have audited the accompanying Statement of Receipts and Disbursements of the Bureau of Collections for the year ended December 31, 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 these 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 Bureau of Collections for the year ended December 31, 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*". **Additionally, management should be aware that audit testing revealed that there has been no statistically significant increase in the number of contempt hearings from 2017 to 2018, but there has been an approximate increase of 25% in the number of cases wherein arrears are waived or deferred.**

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 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, 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 July 30, 2019 on our consideration of the 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* in considering management's internal control over financial reporting and compliance.



GLENN ECKHART
County Controller

July 30, 2019
Allentown, Pennsylvania

Audited by: Bethany DiMatteo

Final Distribution:

Phillips Armstrong, County Executive
Board of Commissioners
Janine Donate, Director, Department of Corrections
Ann Marie Egizio, Chief Probation Officer, Adult Probation
Elizabeth Fritz, Chief Probation Officer, Juvenile Probation
Joseph Hanna, Sheriff
Edward Hozza, Director of Administration
James Martin, District Attorney
Russel Montchal, AOPC
Andrea Naugle, Clerk of Judicial Records
Timothy Reeves, Fiscal Officer
The Honorable Edward Reibman, President Judge
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, 2018

(NOTE 1)

Receipts:	
Office Receipts (NOTE 2)	\$ 8,959,241
Credit Card Fee Reimbursements (NOTE 3)	<u>21,067</u>
Total Receipts	<u>8,980,308</u>
Disbursements: (NOTE 2)	
Costs & Fines – County of Lehigh	\$ 4,928,730
Costs & Fines – PA Department of Revenue	2,457,040
Refunds & Restitution	1,245,415
Costs & Fines – Other Municipalities	246,219
(Less) Void Checks	(83,879)
Credit Card Fees (NOTE 3)	<u>21,067</u>
Total Disbursements	<u>8,814,592</u>
Excess of Receipts Over Disbursements	165,716
Cash in Bank - January 1, 2018	<u>883,242</u>
Cash in Bank – December 31, 2018	<u>\$ 1,048,958</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, 2018*

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, 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 and Disbursements of the Bureau of Collections for the year ended December 31, 2018 (hereafter referred to the Schedules) and have issued our report thereon dated July 30, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the Schedules, we considered the Bureau of Collections' 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 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 and correct misstatements on a timely basis. 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. 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 Bureau of Collections' 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

We noted certain matters that we reported to management of the Bureau of Collections in a separate section titled "*Schedule of Audit Findings and Recommendations*". If provided, the Bureau of Collections' response to our audit is included in this report. We did not audit the Bureau of Collections' 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; Edward Hozza, Director of Administration; Board of Commissioners; Timothy Reeves, Fiscal Officer and The Honorable Edward Reibman, President Judge 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

July 30, 2019
Allentown, PA

COUNTY OF LEHIGH, PENNSYLVANIA
BUREAU OF COLLECTIONS

Schedule of Audit Findings and Recommendations

1. Funds Returned to Remitter

Condition: Payments received via the mail at the Bureau of Collections that: lack proper identification of the defendant; a payor signature is missing; the amount of the check is not filled in; the account has been paid in full, etc. are returned to the remitter. A copy of the check or money order is retained by management and the payment is marked "void." Copies are kept in a separate log by management accompanied by a memo stating the reason for return.

Recommendation: All funds received by the Bureau of Collections should be attempted to be receipted and or deposited to create an audit trail.