



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
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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 28, 2019
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, 2016, 2017, and 2018. Our audit report number 19-17 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 improved controls over processing federal and state lien requests.

Attachment

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

*Financial Audit for the Years Ended
December 31, 2016, 2017, and 2018*

REPORT NO. 19-17

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 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

THOMAS GROGAN
DEPUTY CONTROLLER

Andrea E. Naugle, Clerk of Judicial Records
Lehigh County Courthouse
455 West Hamilton Street
Allentown, PA 18101-1614

Report on Financial Statements

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, 2016, 2017, and 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 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 Clerk of Judicial Records-Civil Division for the years ended December 31, 2016, 2017, and 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*” and “*Prior 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 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, 2016, 2017, and 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 August 27, 2019 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* in considering management’s internal control over financial reporting and compliance.



GLENN ECKHART
County Controller

August 27, 2019
Allentown, Pennsylvania

Audited by: Thomas Schweyer

xc: Phillips Armstrong, County Executive
Tristan Bashour, Chief Deputy, Lehigh County Judicial Records-Civil Division
Board of Commissioners
Edward Hozza, Director of Administration
The Honorable J. Brian Johnson, Administrative Judge of the Civil Division
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, 2016, 2017, and 2018*
(NOTE 1)

	<u>2016</u>	<u>2017</u>	<u>2018</u>
Fees and Regular Escrow (NOTE 2)			
Receipts:			
County	\$1,525,098	\$1,580,609	\$ 1,553,052
State	528,720	534,616	592,404
Escrow	<u>302,323</u>	<u>137,374</u>	<u>207,043</u>
Total Receipts	2,356,141	2,252,599	2,352,499
Disbursements:			
County	2,053,548	2,115,225	2,145,456
Escrow	<u>199,282</u>	<u>252,381</u>	<u>187,119</u>
Total Disbursements	2,252,830	2,367,606	2,332,575
Excess of Receipts Over/(Under) Disbursements	103,311	(115,007)	19,924
Cash Beginning - Escrow	<u>53,167</u>	<u>156,478</u>	<u>41,471</u>
Cash Ending Escrow	<u>\$ 156,478</u>	<u>\$ 41,471</u>	<u>\$ 61,395</u>
Individual Escrow (NOTE 3)			
Receipts	\$ 9,472	\$ 11,036	\$ 800,268
Disbursements	<u>74,638</u>	<u>2,577</u>	<u>12,051</u>
Excess of Receipts Over (Under) Disbursements	(65,166)	8,459	788,217
Cash Beginning – Individual Escrow	<u>118,403</u>	<u>53,237</u>	<u>61,696</u>
Cash Ending – Individual Escrow	<u>\$ 53,237</u>	<u>\$ 61,696</u>	<u>\$ 849,913</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, 2016, 2017 and 2018*

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 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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GLENN ECKHART
COUNTY CONTROLLER

THOMAS GROGAN
DEPUTY CONTROLLER

Andrea E. Naugle
Clerk of Judicial Records
Lehigh County Courthouse
455 West Hamilton Street
Allentown, PA 18101-1614

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 Judicial Records-Civil Division for the years ended December 31, 2016, 2017, and 2018 (hereafter referred to the Schedules) and have issued our report thereon dated August 27, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the Schedules, we considered the Clerk of Judicial Records-Civil 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 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 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 Clerk of Judicial Records-Civil 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

We noted certain matters that we reported to management of the Clerk of Judicial Records-Civil Division in a separate section titled "*Schedule of Audit Findings and Recommendations*" and "*Schedule of Prior Audit Findings and Recommendations*". If provided, 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.

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; The Honorable Edward Reibman, President Judge; and The Honorable J. Brian Johnson, Administrative Judge of the Civil Division 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

August 27, 2019
Allentown, PA

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

Schedule of Audit Findings and Recommendations

1. Oversight in billing state for services

Condition: The state was not invoiced for 72 liens processed during February, 2018 and 11 liens processed during September, 2015. Amounts due total \$5,122.80 and \$724.90 respectively.

The oversight was discovered when comparing unpaid invoice reports from the automated accounting system (Odyssey) to manual tracking reports. Management determined the invoices were not sent due to a failure to notify the appropriate staff to issue the invoices.

Management immediately invoiced the state when this issue was brought to their attention.

Recommendation: Beginning in May, 2018 the state began sending payment along with requests for liens, thus eliminating the need to invoice the state.

Other invoices are still required without corresponding transactions in the automated accounting system and should still be tracked by assigned personnel and reviewed by management on a regular (monthly) basis.

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

Schedule of Prior Audit Findings and Recommendations
(Audit Report #16-39 issued November 18, 2016)

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.

Management Response: 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 1, 2016.

Current Status: Recommendation has been implemented.

Lehigh County Clerk of Judicial Records

Civil Division

(610) 782-3148

Recorder of Deeds

Division

(610) 782-3162

Lehigh County Courthouse
455 W. Hamilton Street - Room 122
Allentown, PA 18101-1614

Criminal Division

(610) 782-3077

Register of Wills

Division

(610) 782-3170

August 27, 2019

Glenn Eckhart, Lehigh County Controller
17 South Seventh Street
Allentown, PA 18101-2400

Re: Audit of the Clerk of Judicial Records – Civil Division

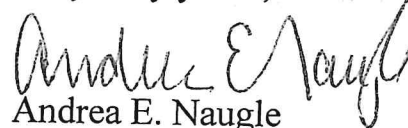
Controller Eckhart:

We offer the following information and details in response to the Civil Audit that was completed for the years ended December 31, 2016, 2017 and 2018 and listed on the Schedule of Audit Findings and Recommendations:

Finding Number 1. Oversight in billing state for services-

The billing that was sent to the State for \$5,122.80 (72 Liens processed during February 2018) has been received and processed as of August 27, 2019. A copy of the receipt is attached hereto. (Exhibit A) The remaining bill for \$724.90 is being sent by the State, per a phone conversation with Kyle Petry, a Fiscal Tech at the Department of Statement. As the recommendation states, the liens are now paid for as they are filed, eliminating the need to create invoices.

Very truly yours,



Andrea E. Naugle

Clerk of Judicial Records

REPRINTED RECEIPT

**Andrea E. Naugle, Lehigh County Clerk of Judicial Records
Civil Division
Lehigh County Courthouse
455 W. Hamilton Street - Room 122
Allentown, PA 18101-1614
(610)-782-3148**

*****THE POLICY OF THE COUNTY OF LEHIGH IS NOT TO MAIL REFUNDS OF TEN DOLLARS (\$10.00)
OR LESS*****

Payor
Commonwealth of PA

Receipt No.
2019-08221

Transaction Date
08/26/2019

Description	Amount Paid
Miscellaneous Payment	
Lien Politial 2017 (Dec), 2018 (71.15)	5,122.80
SUBTOTAL	5,122.80

PAYMENT TOTAL 5,122.80

Check/Money Order (Ref #3003493453) 5,122.80
Tendered
Total Tendered 5,122.80
Change 0.00

08/26/2019
10:02 AM

Cashier mg
Station COC5

Audit
2221648

REPRINTED RECEIPT

Exhibit "A"