



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: October 14, 2015
RE: Audit of Bureau of Collections

We have completed a financial audit of Bureau of Collections, County of Lehigh, Pennsylvania for the period July 1, 2014 to June 30, 2015. Our audit report number 15-12 is attached.

The results of our audit are:

- The *Statement of Receipts and Disbursements for the Period July 1, 2014 to June 30, 2015* presents fairly, in all material aspects, the financial activity for the Bureau of Collections.
- A bank reconciliation adjustment of \$1,282.46 was made to reconcile the bank and book balances in the Common Pleas Case Management System (CPCMS).
- During the audit period, the county covered the cost of credit card transaction fees, in the amount of \$34,446. These costs have not been recovered from defendants who use credit cards as a form of payment. The Bureau has determined that the fee is a cost required for the collection of court-ordered costs, fines, and restitution.

Attachment

AUDITS/COLLECTIONS

COUNTY OF LEHIGH, PENNSYLVANIA

BUREAU OF COLLECTIONS

*Financial Audit
For the Period July 1, 2014 to June 30, 2015*

REPORT NO. 15-12

COUNTY OF LEHIGH, PENNSYLVANIA
BUREAU OF COLLECTIONS

Table of Contents

	Page(s)
Background	1
OPINION OF GLENN ECKHART LEHIGH COUNTY CONTROLLER	2-3
Statement of Receipts and Disbursements for the Period July 1, 2014 to June 30, 2015	4
Notes to Financial Statement	5
Comments on Compliance/Internal Control	6-7
Schedule of Audit Findings and Recommendations	8
Schedule of Prioir Audit Findings and Recommendations	9-12
Bureau of Collections' Response	13

COUNTY OF LEHIGH, PENNSYLVANIA
BUREAU OF COLLECTIONS

Background

The Bureau of Collections (BOC) 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 (CPCMS), 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.

Source: County of Lehigh Budget 2015



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

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 period July 1, 2014 to June 30, 2015 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 period July 1, 2014 to June 30, 2015 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 period July 1, 2014 to June 30, 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*".

In accordance with *Government Auditing Standards*, we have also issued a report dated October 9, 2015 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

October 9, 2015
Allentown, Pennsylvania

Audited by: Robert Fenstermaker

Final Distribution:

William Berndt, Court Administrator
Board of Commissioners
Ann Marie Egizio, Chief Probation Officer, Adult Probation
Elizabeth Fritz, Chief Juvenile Probation Officer, Juvenile Probation
Ralph Hunsicker, AOPC
James Martin, District Attorney
Daniel McCarthy, County Administrator
Thomas Muller, County Executive
Andrea Naugle, Clerk of Courts
Timothy Reeves, Fiscal Officer
The Honorable Edward Reibman, President Judge
Ronald Rossi, Sheriff
Edward Sweeney, Director of Corrections

COUNTY OF LEHIGH, PENNSYLVANIA
BUREAU OF COLLECTIONS

*Statement of Receipts and Disbursements
for the Period July 1, 2014 to June 30, 2015
(NOTE 1)*

Receipts:	
Office Receipt Activity (NOTE 2)	\$ 8,513,658
Total Receipts	8,513,658
Disbursements:	
Office Disbursement Activity (NOTE 2):	
Costs & Fines – County of Lehigh	\$4,849,305
Costs & Fines – PA Department of Revenue	2,160,050
Costs & Fines – Cities/Boroughs/Townships	231,287
Refunds & Restitution	<u>1,034,540</u>
Total Disbursements	8,275,182
Receipts Over/(Under) Disbursements	<u>\$ 238,476</u>

***\$34,446 in Credit Card Fees are not included in Receipts and disbursements – See Note 3.**

COUNTY OF LEHIGH, PENNSYLVANIA
BUREAU OF COLLECTIONS

*Notes to Financial Statement
For the Period July 1, 2014 to June 30, 2015*

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.



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

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

We have audited the Statement of Receipts and Disbursements of the Bureau of Collections for the period July 1, 2014 to June 30, 2015 and have issued our report thereon October 9, 2015. 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 Audit Findings and Recommendations*".

Bureau of Collections' response to our audit is included in this report. We did not audit Bureau of Collections' 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

October 9, 2015
Allentown, Pennsylvania

COUNTY OF LEHIGH, PENNSYLVANIA
BUREAU OF COLLECTIONS

Schedule of Audit Findings and Recommendations

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.

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.

COUNTY OF LEHIGH, PENNSYLVANIA
BUREAU OF COLLECTIONS

Schedule of Prior Audit Findings and Recommendations
(Report No. 13-28 issued May 9, 2013)

1. System Control Weaknesses

Common Pleas Court Management System, hereinafter known as CPCMS, was designed, implemented, and is serviced by the Administrative Office of the Pennsylvania Courts (AOPC). This system was designed as a single unit to encompass court management functions for all 67 counties in Pennsylvania. System programming does not differentiate between counties using a separate collections department, such as Lehigh County, as opposed to a Clerk of Courts office as the courts primary collection enforcement. This system does not differentiate between collection offices and as a result, several control weaknesses related to CPCMS have been uncovered for Lehigh County. The weaknesses in system controls are detailed as follows:

Condition:

- One Bureau of Collections employee has access to certain “financial” features within CPCMS allowing the employee to access administrative functions including, but not limited to, adjustments, deposit details, reconciliations, and registers.
- Fifteen employees have “write” abilities for victim/witness addresses.
- User ID (audit tracking information) only appears for staff member’s originally entering victim address information. Any changes, deletions, or updates made to victim addresses are not tracked in real-time.
- Two addresses had been revised by employees in the Bureau of Collections Department and one address had been revised by the user denoted as “ADMIN1”. There is no system generated report that denotes user ID’s for revisions made to victim address information.
- CPCMS report # 1090, Manual Receipt Log, does not show receipt sequence for every manual receipt that was entered into the system.
- 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.
- The CPCMS system limits the ability for Bureau of Collections management to fully reconcile escrow account balances which include “unapplied escrow” and “unapplied escrow – other” on a timely basis.

Recommendation: Management should request the Administrative Office of the Pennsylvania Courts (AOPC) make certain system changes to help prevent or detect errors or fraudulent activity in a timely manner:

- The AOPC should consider redefining user roles to ensure that:
 - Proper system controls and user limitations are in place for counties that specifically use a Bureau of Collections department as the courts collection enforcement.
 - The Lehigh County Bureau of Collections office has “read only” abilities for victim/witness addresses. Changes to this information should only be completed by the Office of the District Attorney.

- The AOPC should also consider programming changes to ensure:
 - CPCMS report # 1090, Manual Receipt Log, includes all manual receipts entered into the system.
 - \$1,282.46 difference between CPCMS book and bank balances is reconciled, removed, or written-off.
 - All changes to data, including original address entry, updates, or deletions are accompanied by a user ID for audit tracking purposes.
 - A specific report is generated denoting user ID’s of individuals who changed or updated victim address information.
 - A specific report is generated reconciling all undisbursed escrow account balances.

Management Response: Management acknowledges the weaknesses and will make every attempt to rectify with the AOPC’s approval.

Current Status: The Bureau of Collections employee permissions have been changed to read only to limit address changes and access to administrative functions. The manual receipt log CPCMS #1090 does not show voided manual receipts. The Bureau does keep a manual log of receipts used which the voided items were listed and properly approved. The ongoing difference of \$1,282.46 that originated from the initial implementation of CPCMS continues to be a reconciling item.

2. Reconciliations Not Completed Timely or at All

Condition: The recording of the Bureau of Collections transactions as liabilities in the County of Lehigh’s data management software (KEA) did not occur timely. At the time of testing, the Office of Fiscal Affairs had only completed the recording of transaction data between CPCMS and KEA for January 2012. The remaining transactions were recorded in March of 2013.

Recommendation: The Office of Fiscal Affairs should record the liabilities of the Bureau of Collections department on a timely (monthly) basis.

Management Response: Fiscal Office will record the BOC liabilities on a timely basis as Permitted with staffing constraints.

Current Status: Bank reconciliations are currently completed on a timely basis.

3. Over and Short Account Replenished From Petty Cash

Condition: Over and short amounts resulting from transactions generated in the Bureau of Collections Department are recouped from the petty cash fund in the Bureau of Collections Office, as opposed to, submitting a daily request for payment/advice of transmittal similar to all other offices in Lehigh County.

Recommendation: The Bureau of Collections over and short account should be handled in a similar fashion as the remaining offices within Lehigh County that handle cash. A daily settlement and recording of over and short amounts should be transmitted, via request for payment (short), or advice of transmittal (over), to ensure proper recording and review of transactions.

Management Response: Management will handle the BOC's over and short account in the same manner as the other offices with petty cash funds.

Current Status: This issue has been rectified and Collections Over/Short items are handled using County guidelines.

4. Segregation of Duties

Condition: The Bureau of Collections Office Manager has numerous office functions which are deemed as a segregation of duties issues. The Office Manager responsibilities include, but are not limited to: the ability to receive and open mail, receive check, cash, and credit card payments, input, void, and adjust receipts in CPCMS, prepare and make daily deposits, and approve disbursements. Inadequate separation of duties could allow for errors or fraud to occur without detection by county management.

Recommendation: The Bureau of Collections Director should consider reorganizing the office responsibility matrix to ensure proper segregation of duties exists.

Management Response: All duties will be adequately segregated to the extent possible based on resources and scheduling flexibility.

Current Status: The office has been reorganized to allow for the proper segregation of duties.

5. Credit Card Fees

Condition: Fees, in the amount of \$14,839, (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 Response: Management will seek the Court's approval and implement the surcharge fee for credit card usage.

Current Status: Credit card fees are still being charged and not recovered from Bureau of Collections clients.

6. Aged Accounts

Condition: Client payments that are delinquent (greater than 365 days outstanding) are not being pursued in the regular course of business at the Bureau of Collections Department. Focus has been placed on recovering current costs and fines from defendants.

Recommendation: The Bureau of Collections and the County of Lehigh should consider contracting with a collections agency, or similar, to aggressively recover aged accounts.

Management Response: Management will evaluate various options of collecting on the accounts over 365 days past due.

Current Status: It appears that outstanding cases are being followed up on with less overdue payments and outstanding cases. The office still might want to consider an outside collections firm or additional employees to further help with this issue.



COUNTY OF LEHIGH BUREAU OF COLLECTIONS

Stephen Berndt
Director

October 9, 2015

Glenn Eckhart
Controller
County of Lehigh
17 S. 7th Street
Allentown, PA 18101

Dear Glenn,

I wish to thank your staff, particularly Robert Fenstermaker, for the work done on the audit and I would like to address both of the current audit findings mentioned in the audit report:

1. Control Weakness Bank Reconciliation

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 12/29/2006 reconciliation.

2. Credit Card Fees

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.

Sincerely,

Stephen Berndt
Director, Bureau of Collections

cc: Timothy Reeves, Fiscal Officer