



County Controller

Stephen J. Barron, Jr., CFE

Audit Manager

Frank S. Kedl, CIA

Solicitor

Timothy P. Brennan, Esq.

County Executive

John A. Brown

County Council

Margaret Ferraro, President
Glenn A. Geissinger, Vice-President
Mathew M. Benol
Kenneth M. Kraft
Lamont G. McClure, Esq.
Leonard S. Parsons
Hayden Phillips
Seth Vaughn
Robert F. Werner

Audit Report

**REGISTER OF WILLS
AND ORPHANS'
COURT AGENCY
FUNDS**

As of September 30, 2013

**Office of the Controller
County of Northampton
Pennsylvania**



STEPHEN J. BARRON, JR., CFE

CONTROLLER OF NORTHAMPTON COUNTY

NORTHAMPTON COUNTY COURTHOUSE
669 WASHINGTON STREET
EASTON, PENNSYLVANIA 18042

FRANK S. KEDL, CIA
Audit Manager

TIMOTHY P. BRENNAN, ESQ.
Solicitor

PHONE (610) 559-3186
FAX (610) 559-3137

June 18, 2014

Members of the Northampton County Council
John A. Brown, County Executive
County of Northampton, Pennsylvania

We have completed an audit of the Register of Wills and Orphans' Court Agency Funds as of September 30, 2013.

The Executive Summary on page 1 summarizes the audit results, while the Audit Results section provides a detailed explanation.

We acknowledge the cooperation and assistance we received from employees in the Register of Wills and Orphans' Court Divisions, their help was essential to the performance of this audit.

Our report was discussed with management and their response is included in the Audit Results section of the report.

Very truly yours,

Stephen J. Barron, Jr., CFE
County Controller

Paul L. Albert, CIA
Lead Auditor

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EXECUTIVE SUMMARY

Overall, the financial transactions and processes in the Register of Wills and Orphans' Court Agency Funds are functioning well. This is in part due to changes made in the office during the last 16 months to improve controls and make some processes more efficient.

It will be difficult to achieve greater efficiency due to limitations of the computer system used by these two offices. The Four J's system requires a duplication of data entry when services are recorded and paid for, does not have a function to calculate additional probate fees and requires that a spreadsheet be maintained to record the detail of payment information.

Recommendations were made for some internal control weaknesses identified in the early stages of the audit, and corrective action was taken by the time the audit was completed. Most pertained to maintaining adequate documentation to provide evidence that functions were performed and duties were segregated. Another recommendation was that the staff should close their registers in mid-afternoon so that receipts could be taken to the Revenue Division the same day they were received, instead of holding all of the receipts in the office overnight.

Finally, management changed some processes in the offices that resulted in greater efficiency and also brought in more revenue to the County.

INTRODUCTION

The Register of Wills and Orphans' Court are two of several divisions that are part of the Department of Court Services. They share common office space and are managed by the same supervisor.

The Register of Wills is responsible for the docketing, filing, retrieval and maintenance of documents pertaining to estates of decedents from the year 1752 to the present, including estate administration when there is no will. The office is also responsible for collecting, recording, and disbursing County fees and inheritance tax collected, as required by law. A dispute pertaining to wills and estates is resolved internally by this office or through the court.

The Orphans' Court is responsible for processing documents pertaining to adoptions and termination of parental rights, guardianships for minors and adjudications of incapacity, and other dependency matters relating to juveniles. The office also maintains the accounting and distribution of estates scheduled for audit by the court. Escrow accounts are held by the office pending distribution by court order. The Orphans' Court is also responsible for maintaining records of marriages and issuing marriage licenses and certificates. Birth and death records from 1893 to 1936 are on file in this office and certificates are issued upon request. The Commonwealth of Pennsylvania's Bureau of Vital Statistics maintains subsequent years' information.

In order to account for payments remitted to the County of Northampton, both the Register of Wills and the Orphans' Court maintain a separate agency fund. An agency fund is a separate accounting entity within the government. It is used to account for assets held solely in a custodial capacity for individuals, private organizations, other governments and other funds. Agency funds typically involve only the receipt, temporary holding of and remittance of assets to their rightful owners. The Wills and Orphans' Agency Funds are used to account for receipts and disbursements of fees and other amounts collected, which are ultimately owed to the Commonwealth of Pennsylvania, the County of Northampton and other entities.

PURPOSE AND SCOPE

This audit is one in a series of periodic audits of all agency funds performed for the purpose of supplementing the year-end work prescribed by the County's external auditor. The focus of this audit was on the receipt and disbursement functions, and on compliance with laws and regulations of the Register of Wills and Orphans' Court.

The purpose of the audit was:

- To determine the adequacy of internal controls.
 - To determine compliance with laws, regulations, policies and procedures.
 - To determine the economy and efficiency of the procedures and processes.
-

METHODOLOGY

Our methodology included:

- Interviewing management and employees in the offices to gain an understanding of the processes.
- Speaking with management to learn their perceived risks and performance measures.
- Reviewing the office policies and procedures.
- Testing a sample of receipt transactions to verify that they were processed correctly, receipts were deposited promptly and that the correct fees were charged.
- Testing disbursements to verify that the correct amount was remitted to the State, and that disbursements from the Orphans' escrow account were supported by a court order.
- Reviewing controls over the money collected from the microfilm copier and performing a surprise cash count.
- Reviewing the controls over the processing of receipts into the Four J's computer system.
- Determining if activity posted to the County financial system was accurate.
- Understanding why revenue from appraisements increased so much in 2013.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT RESULTS

Section A – Economy and Efficiency

1. Four J's Computer System

OBSERVATION

The Four J's computer system, which has been in use since 2002 in the Register of Wills and Orphans' Court offices, does not provide the management and staff of those offices with the best resource to perform their duties. A few of the shortcomings that came to our attention are:

- The system has a maintenance side and a collections side which aren't interfaced. First, data is entered and docketed in the maintenance side; and then, the payment information is entered on the collections side. There are no controls built into the system that require payment information be entered if data is entered on the maintenance side. Also, much of the same information must be entered twice which increases the possibility of data entry errors.
- The system cannot calculate additional probate fees and as a result, the calculation is currently a manual process which begins when the final appraisement of an estate's value is received from the State. Having that process as a function of the computer system would save time and reduce the possibility of errors. Time is important because once the proceeds of an estate are distributed, the additional probate fee will probably not be collected. That is lost revenue to the County.
- The system does not maintain sufficient detail for payments; therefore, the office maintains electronic spreadsheets which detail payment activity for Wills, Orphans' and Inheritance Tax by receipt number. The spreadsheets are used to reconcile daily deposits and monthly payments to the State. Recording this information twice, once in Four J's and again on the Excel spreadsheets, increases the possibility of data entry errors and uses additional staff time.

RECOMMENDATION

The management and staff of the Register of Wills and Orphans' Court offices must work with the computer system they have. However, if the opportunity to purchase a new system ever arises, consideration should be given to functions that will make the processes of the office more efficient, and also improve controls over how transactions are processed.

MANAGEMENT RESPONSE

Gina X. Gibbs, Register of Wills / Clerk of Orphans' Court

We are in the process of acquiring information from different vendors in order to request purchase of a system that will meet the needs of both divisions and the public.

Section B – Policies and Procedures

1. Complete the Policies and Procedures Manual

OBSERVATION

The Register of Wills and Orphans' Court Offices do not have a policies and procedures manual that is complete and available to the staff. The Register of Wills / Clerk of Orphans' Court has a manual partially completed that isn't yet available to the rest of the staff. The following sections of the manual are complete:

- Cash Drawers
- Money Collection
- Daily Cash Verification
- State Monthly Report
- Escrow Accounts – Opening
- Escrow Accounts – Closing
- Voiding Receipts – Standard Receipts
- Voiding Receipts – Inheritance Tax Receipts

A well-written, detailed manual will help management achieve their goals of complying with laws and regulations, maintaining adequate internal controls and being efficient in their practices. It helps to ensure that the staff understands their roles and responsibilities, and it provides an excellent source for training new employees and management. As the laws, regulations and work environment changes, the manual should be updated. The manual should be available either electronically or in hard copy to all employees in the offices. Some additional areas that should be addressed in the manual are:

- Accounts Receivable
- Appraisements
- Bank Reconciliations
- Disbursements
- Microfilm Copier Funds
- Record Retention

RECOMMENDATION

Management should continue the process of documenting policies and procedures for important financial processes in the offices. The completed sections of the manual should be reviewed with the staff and made available to them for use in their daily duties.

MANAGEMENT RESPONSE

Gina X. Gibbs, Register of Wills / Clerk of Orphans' Court

Corrective action has been taken on many areas due to new management and audit recommendations. All of these changes are being documented and new policies will soon be completed and distributed to staff.

Section C – Issues Resolved During Fieldwork

Throughout the audit process – from the preliminary gathering of information to the testing phase – it was evident that the Register of Wills/Clerk of Orphans’ Court and her deputies, were committed to making their fiscal operations run as efficiently and effectively as possible, and were eager to correct any deficiencies that we noted.

The following areas needing corrective action were identified throughout the audit and management corrected these deficiencies before the audit was complete:

1. Retention of Daily Batch Proof Reports

OBSERVATION

The Daily Batch Proof reports that were printed daily for the reconciliation of cash drawers were not being maintained. These reports document the content of the drawers and who reconciled them.

CORRECTIVE ACTION TAKEN

These reports are now saved with the documentation supporting the bank deposit.

2. Controls over Microfilm Printer Money

OBSERVATION

Documentation was not maintained when the microfilm printer change box was emptied. The offices charge the public \$.50 for each copy printed from the microfilm printer and \$5,240 was collected as revenue last year.

CORRECTIVE ACTION TAKEN

A sheet is now used to record the date, names of the two employees emptying the machines and counting the money, the total collected and the total deposited in the Revenue Division. The sheet is retained in the Register’s/Clerk’s Office and is available for review.

3. Preparation and Review of Bank Reconciliations

OBSERVATION

Most of the bank reconciliations were not signed by the individual reconciling the account and the person reviewing the reconciliation. These signatures provide evidence that the reconciliation was prepared by someone other than the account custodian or authorized signer, and that a supervisor then reviewed the reconciliation.

CORRECTIVE ACTION TAKEN

Bank reconciliations are now signed by the Court Services Accountant who performs them and a supervisor in the office who reviews them.

4. Timely Deposit of Receipts

OBSERVATION

Receipts collected during the day were held in the office overnight and then taken to the Revenue Division the following day for deposit.

CORRECTIVE ACTION TAKEN

The cash drawers are now closed and counted around 3:00 PM each day, after which the deposits are prepared and taken to the Revenue Division. Payments received after that time are locked in the cash drawers which are secured in the locked file room overnight.

Section D – Accomplishments

Throughout 2013, several functions or practices were changed by management which improved the efficiency of the work being done and the amount of revenue collected. In this Accomplishments section we are highlighting those areas.

1. Revenue from Appraisements

When probate is filed for an estate, an estimated probate fee is charged based on the estimated value of the estate. When the final value of the estate is determined by the State, the Register of Wills receives a Notice of Inheritance Tax Appraisal Allowance or Disallowance and Assessment of Tax form from the State. The Register of Wills then has the opportunity to bill the executor for an additional probate fee if the final value of an estate is greater than the estimated value.

The new probate fee must be manually calculated by staff in the Will's Office. Previous to 2013 all of the appraisements were given to one employee and there was a backlog of work resulting in fewer billings. Beginning in 2013, the Register of Wills gives each of the staff members some of the appraisements so that they're divided equally between all the staff. This greatly increased the number of bills that were sent to executors and the amount of money collected from appraisements. From 2012 to 2013, County revenue from appraisements increased \$85,389 or 31.7%.

2. Minimizing Accounts Receivable

During 2013, an effort was made to reduce accounts receivable by requesting that attorneys pay at the time services are provided. Each request to be billed must be approved by the Register of Wills / Clerk of Orphans' Court. Requiring individuals to pay at the time of service reduces the work for the staff who must track and bill for these unpaid services.

During the first four months of 2013 in the Register of Wills Office, services were billed an average of 27 times each month. Conversely, during the last four months of 2013, services were billed an average of only 5 times each month. In Orphans' Court, services were billed an average of 21 times the first four months of 2013 and only six times a month during the last four months of 2013.

3. Automating "The Board" Spreadsheet

When the Register of Wills / Clerk of Orphan's Court was hired to that position in September 2012, the staff was manually recording daily receipts on sheets of extra-wide paper in her office, wide enough to accommodate 18 columns. There

were separate sheets for Orphans', Wills and Inheritance Tax. Every time a payment was received and processed through Four J's, the clerks had to leave their workstation and write the payment information on the sheet. This paper was called "the board" and at the end of each day the columns were totaled to calculate the total receipts for the day.

Beginning in January 2013, "the board" was transformed into Excel spreadsheets which all the clerks access from their workstations. Formulas took away the necessity of adding columns manually. This change improved the efficiency of the office staff.