



**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**

John Cusick, President  
Seth Vaughn, Vice-President  
Mathew M. Benol  
Matthew H. Dietz  
Margaret Ferraro  
Glenn A. Geissinger  
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Hayden Phillips  
Robert F. Werner

Audit Report

**RECORD  
IMPROVEMENT AND  
AUTOMATION  
FUNDS**

As of July 2016

**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) 829-6615**  
**FAX (610) 559-3137**

November 14, 2016

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

We have completed an audit of the County Record Improvement and Automation Funds as of July 2016.

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 all related Departments. Their help was essential to the performance of this audit.

Management's response is included in the Audit Results section of the report.

Very truly yours,

Stephen J. Barron, Jr., CFE  
County Controller

Anthony Sabino, CIA  
Lead Auditor

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## **EXECUTIVE SUMMARY**

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We found that fees are being properly charged throughout the County for Records Improvement and Automation as outlined in various state statutes. Also, for the most part, usage of the proceeds of Record Improvement and Automation Funds are in compliance with laws, regulations, and grant agreements. We did note, however, that a separate Automation fee for the Register of Wills and Orphan's Court Divisions should be segregated from the Countywide Record Improvement fees collected in those divisions because, per order of the President Judge, these funds should be used solely for the benefit of the Wills and Orphans' Court Divisions. (Audit finding A-1, page 5)

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## INTRODUCTION

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The County maintains a number of separate funds which are to be used for the improvement of records or for the advancement of automation in specific County offices or Countywide. Many of these funds were established via state statutes and are collected in the form of fees charged for services rendered in various offices. These statutes also provide guidance on the collection and use of the proceeds. Other funds are comprised of grants from various sources; the grant agreements contain restrictions regarding the use of proceeds.

In the County's Financial Statements, these smaller funds are combined into one Special Revenue Fund titled Record Improvement and Automation. The fund balance, as of 12/31/15 was \$852,040. This fund is currently comprised of the following sub-funds:

- County Records Improvement Fund. This is funded through fees charged by the Recorder of Deeds, with separate fees also charged by the Register of Wills and Orphan's Court. Funds are expended for the purposes of Countywide record improvement in accordance with a comprehensive records management plan developed by the County Record Improvement Committee. This committee was formed to comply with the state statute which established the fund (Title 42 P.S. § 21052.1).
- Deeds Records Improvement Fund. This is funded through the same fee collected in the Recorder of Deeds Division for the County Records Improvement Fund. (A \$5.00 fee is collected for documents recorded. Three dollars is retained in the Recorder of Deeds Fund and \$2.00 is remitted to the County Records Improvement Fund.) Per state statute, these moneys are to be used for the improvement of records in the Recorder of Deeds Division only. Unused fund balance in the Deeds Records Improvement Fund is transferred to the County Records Improvement Fund after four years.
- Civil Automation Fund. This was established by state statute Title 42 P.S. § 21071.2, which authorizes a fee not to exceed \$5.00 for the initiation of any action or legal proceeding. Fees may be used solely for the purposes of automation in the office of the Prothonotary.
- Criminal Automation Fund. This was established by state statute Title 42 Pa. C.S.A. § 1725.4. As with the Civil Automation Fee, this is charged for the initiation of any action or legal proceeding and is not to exceed \$5.00. Fees may be used solely for the purposes of automation in the office of the Clerk of Courts.
- Coroner Vital Statistics Improvement Fund. This is an annual allocation from the State based on the number of deaths in a County in the prior calendar year. The source of the revenue is fees charged by the State. Coroners must use the funds for the purposes of laboratory or necropsy room

modernization and other types of equipment used in forensic investigation.

- Sheriff Grants Fund. This was a grant in which the County participated in 2012; the grant was received by the Allentown Police Department from the Federal Government in conjunction with the Public Safety Partnership and Community Policing Grants offered by the COPS Office. The original grant was for \$800,000. Allentown kept 5% of the grant and the rest was split between Lehigh County (54%) and Northampton County (46%). Northampton County ultimately received \$349,500. As of 7/15/16, \$11,500 remains. For Northampton County, the stated intent was to use the grant to create a Countywide intelligence-led policing portal to analyze crime and intelligence data. (See pg. 9 for information related to a new grant received in 2016.)

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## **PURPOSE AND SCOPE**

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The purpose of our audit was to ensure that fees are properly charged as applicable and that the uses of funds are in compliance with laws and regulations.

Our scope included a review of all expenditures in all of the sub-funds from 2014 through 2016.

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## **METHODOLOGY**

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For fee based revenue, our methodology included selecting a sample of receipts and ensuring that the record improvement/automation fees charged agreed to the applicable fee schedules; we also traced the fee proceeds to the proper sub-funds.

For expenditure testing, we ran Disbursements by Vendor reports (AP-23) from the IFAS system for all related sub-funds from 2014 through 2016 and investigated the propriety of all expenditures noted.

Our review included an assessment of internal controls in the audited areas. Any significant findings related to internal controls are included in the Audit Results section of the report.

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.

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## AUDIT RESULTS

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### **Section A – Compliance with Laws and Regulations**

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#### **1. Automation Fees – Register of Wills and Orphans’ Court Divisions**

##### **OBSERVATION**

In 1999, President Judge Robert Freedberg issued an Administrative Order approving a fee schedule for the Register of Wills and Orphans’ Court Divisions which included, in accordance with state statute, Records Improvement Fees similar to those charged in the Recorder of Deeds office. These fees are properly deposited in the County Records Improvement Fund for use Countywide.

In 2007, President Judge Freedberg, in accordance with state statute Title 42 P.S. § 21022.1, also approved an expanded fee schedule which included an additional Automation Fee for the Wills and Orphans’ Court Divisions. According to a letter from the Register of Wills to the President Judge, this fee “should be held in a separate account by the Fiscal Division for the exclusive use of the Register of Wills & Orphans’ Court.”

The Automation Fees are collected, but are currently being deposited into the County Records Improvement Fund using the same object code as the other fees noted above which are used for Countywide record improvement. The Automation Fees are not segregated out and there is no guarantee they will be used strictly to benefits the intended divisions. In addition, on the Fee Schedules for these divisions, all related fees are expressed as “Record Improvement Fees”. The receipts also list all these fees as “Record Improvement Fees.”

##### **RECOMMENDATION**

We recommend that the County establish a separate Automation Fund for the Register of Will and Orphans’ Court Divisions similar to the funds in existence for the Criminal and Civil Divisions. The Fee Schedules in these divisions should be reissued to properly delineate between Record Improvement Fees and Automation Fees and receipts should properly reflect the separate terminology so that the fees can be deposited into the proper sub-funds.

MANAGEMENT RESPONSE – Catherine Allen, Acting Director of Administration

Administration has worked with the Fiscal Department to separate the Automation Fund for Wills and Orphans Division. This has been completed. We have rewritten the Fee Schedule and are working with the software company to have the receipts reflect the correct terminology and delineation of funds. Although they were not separated, in 2015, the Administration did work with the Register to decide on a new software program for the division. The upgrade is a benefit to the staff and the public.

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## **ISSUES RESOLVED DURING FIELDWORK**

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### **1. Interest Allocation**

State statute Title 42 P.S. § 21052.1 states that for both the Recorder of Deeds Records Improvement Fund and the County Records Improvement Fund, interest earned is to stay with the funds and accumulate from year to year. Although separate funds have been established in the IFAS accounting system for Records Improvement, the actual cash is deposited in the County's interest-bearing Common account. At the time of our audit, no interest from the Common account was being allocated back to these funds. We brought this to the attention of the Fiscal Affairs Accounting Manager, who in turn processed an entry to allocate interest for the second quarter of 2016 to the Record Improvement Funds. In the future, allocations of interest will continue to these funds; however, there has been no retroactive allocation for any prior period.

### **2. 2016 Sheriff Gaming Authority Grant**

In June 2016, the Sheriff received a grant from the Gaming Authority for \$407,000 to be distributed in four quarterly remittances. According to the grant agreement, the money is to be used to further automate the Sheriff Division. The first remittance was placed in the existing Sheriff Grants fund using the same org as a separate grant from 2012. This original grant currently still has \$11,500 remaining. If funds remained in both grants by the end of the year they would be comingled into a single fund balance. We consulted with the Sheriff, who said that due to the separate grant requirements, these funds should be segregated. We brought this to the attention of the Fiscal Affairs Accounting Manager, who agreed that grants should be segregated. She created a separate fund (Sheriff Gaming Grants – Fund #2929) and transferred the proceeds of the 2016 grant into that fund.