



County Controller

Richard J. Szulborski

Audit Manager

Paul L. Albert, CIA

Solicitor

Michael P. Shay, Esq.

County Executive

Lamont G. McClure, Jr.

County Council

Ronald R. Heckman, President
Lori Vargo Heffner, Vice-President
John Cusick
Matthew H. Dietz
Margaret L. Ferraro
Kevin Lott
William B. McGee
Robert F. Werner
Tara M. Zrinski

Audit Report

**CIVIL AND SHERIFF
AGENCY FUNDS**

As of December 31, 2018

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



RICHARD J. SZULBORSKI

CONTROLLER OF NORTHAMPTON COUNTY

NORTHAMPTON COUNTY COURTHOUSE
669 WASHINGTON STREET
EASTON, PENNSYLVANIA 18042

PAUL L. ALBERT, CIA
Audit Manager

MICHAEL P. SHAY, ESQ.
Solicitor

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

September 9, 2019

Members of the Northampton County Council
Lamont G. McClure, Jr., County Executive
County of Northampton, Pennsylvania

We have completed an audit of the Civil and Sheriff Agency Funds as of December 31, 2018.

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 the Civil Division and the Director of Court Services. Their help was essential to the performance of this audit.

Our report was discussed with management at our exit conference on August 28, 2019. Management's response is included in the Audit Results section of the report.

Very truly yours,

Richard J. Szulborski
County Controller

Stacy L. Duke
Staff Auditor

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EXECUTIVE SUMMARY

Our audit of the Civil and Sheriff Agency Funds revealed that the receipt and disbursement processes are functioning as intended. All receipts are taken to the Revenue Division and deposited into the proper bank account via Dunbar Services on a timely basis. The bank statements are being reconciled properly. All Sheriff funds on hand had a valid reason for the cases to remain open with funds undisbursed.

For the most part, the internal controls over the handling of the Civil and Sheriff Agency Funds are adequate but procedures regarding coin collection from the copier machine used by the public need improvement. Also, undisbursed Sheriff cases should be reviewed by the solicitors and disbursed to proper parties or escheated to the state in a timely manner. There should be written policies and procedures regarding the disposition of the older cases.

INTRODUCTION

The primary function of the Civil Division (also known as the Prothonotary's Office) is to docket and file all legal documents pertaining to civil cases, such as divorce and custody complaints, civil lawsuits, protection from abuse (PFA) cases, equity actions, mortgage foreclosure actions and indexing of judgments as well as federal and commonwealth tax liens. There are fees associated with all of these services. The office also collects, maintains and accounts for court ordered escrow deposits pending disposition through litigation. In addition, the Civil Division issues writs of execution for Sheriff Sales on real estate and personal property. The office also processes passport applications for the Philadelphia Passport Agency.

The office consists of the Prothonotary/Clerk of Court – Civil, four deputy clerk of courts who have the authority to sign documents on behalf of the Prothonotary and assist in supervising the office, eleven clerks who process civil and sheriff sale matters, three clerks who process protection from abuse cases and a file clerk. During the audit, three of these positions were vacant: two deputy clerks and one clerk.

The County maintains two agency funds for monies handled by this Division – one to account for funds associated with civil cases, and one for funds associated with Sheriff Sales and fees for civil cases served by the Sheriff. Within these funds, there are four bank accounts established for the collection and remittance of funds. In the Civil Agency Fund, one bank account is used for the general activity associated with the office and escrow amounts not required to be held in their own individual interest bearing account; another account is used to hold funds that are held in escrow until a court case is completed. In the Sheriff Agency Fund, one bank account is used for advance fees associated with Sheriff Sales and proceeds from sales of property; the other account is used to accumulate fees for the Sheriffs' Education and Training Act (SETA) which are held separately from other funds and remitted to the state periodically.

As of December 31, 2018 the book balance on the ONESolution financial system for the Civil cash accounts was \$590,496.03; for the Sheriff accounts, the cash accounts totaled \$1,784,160.54.

Fees for most services are collected up front, with the exception for PFA cases, when fees are assigned to the plaintiff or defendant based on the Judge's ruling on whether to issue the PFA.

As of 2017, the Civil Division implemented the Telesoft CountySuite Prothonotary and Sheriff computer system for all functions performed in the Division such as processing daily receipts, case management, financial management and producing checks. Prior to this the Division was using multiple software programs to accomplish these functions. The ONESolution system is used for general ledger and financial statement rendering.

PURPOSE AND SCOPE

The purpose of our audit was to evaluate the internal controls over the handling of Civil and Sheriff Agency Funds. Objectives of individual tests included:

- Ensuring fees are charged accurately.
- Evaluating daily proof controls and proper segregation of duties.
- Ensuring deposits are made and documents are docketed on a timely basis.
- Ensuring copier funds are deposited intact and there is documentation of dual control when reconciling.
- Ensuring support exists for all withdrawals and that they are properly authorized.
- Determining if controls over undisbursed funds are adequate.
- Determining the status of undisbursed Sheriff funds on hand.

Our scope included transactions occurring during the period January 1, 2018 to through December 31, 2018. Although our audit date is December 2018, when testing the status of Sheriff funds on hand, we used the most recent open cases report, which included transactions that were opened in 2019.

METHODOLOGY

Our methodology included:

- Interviewing the Prothonotary and staff to document controls.
- Reviewing a sample of daily receipts.
- Reviewing proofs for daily receipts and the copier machine replenishments.
- Reviewing disbursements from the Civil General account and distribution sheets from the Sheriff Advance Account.
- Reviewing bank reconciliations for all accounts.
- Investigating Sheriff Advance cases.

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.

AUDIT RESULTS

Section A – Internal Controls

1. Copy Machine Funds

OBSERVATION

The Civil Division maintains a copy machine for use by the public. A copy costs \$.25 and the contents of the machine are emptied, counted and held in the Civil Division vault for deposit until most of the change has been exchanged to dollar bills. This is because the amount of change collected for these deposits is usually large, and too heavy to carry to Revenue and be transported to the bank by the Dunbar Service. The Division also maintains a change fund of \$100 to provide customers with coins to use in the machine. The change fund is replenished daily by exchanging the bills remaining in the change bag for the coins from the copier funds in the vault.

In our audit, we analyzed the controls over the handling of cash related to this machine and found there were some areas where improvements could be made:

- The change fund is maintained during the day in a bag in the deputy's desk. At the end of the day, the deputy and the Prothonotary exchange currency from the change bag for quarters from the copier coin fund held in the vault for deposit. Although this procedure is handled under dual control, they do not document the balances of each bag after replenishment has been made. The replenishment should be documented with the initials of who performed the replenishment and verified the cash balances, the date, and the balances of the change fund and the copier deposit bag. The Prothonotary did not realize that documentation was needed since it was handled under dual control. It is important to record the balances of the change fund and copier fund because the balances in these bags shouldn't change until a deposit is made or the copier is emptied.
- Although a copy costs \$.25 and most people pay with quarters, occasionally people do pay with smaller denomination coins. These smaller coins are held in tubes in the copier and aren't emptied when the quarters are removed. Leaving these smaller coins in the copier indefinitely exposes them to misappropriation or theft. This finding was included in our previous audit of the Civil Division but corrective action has not yet been taken.

RECOMMENDATION

Management should develop a spreadsheet and document procedures to be used when replenishing the change bag each day, recording all necessary information on the spreadsheet. Also, miscellaneous coins in the copy machine should be removed and deposited at least annually. Documented procedures for these functions should be incorporated into the office's Policies and Procedures Manual.

MANAGEMENT RESPONSE

Holly Ruggiero, Clerk of Court – Prothonotary

The coin change is replenished and verified almost daily by both the Prothonotary and the Lead Deputy however, this verification is not documented on paper. A spreadsheet will be created with the information that is acceptable to the Controller. Once the spreadsheet is created, this step will be incorporated into the office's Policies and Procedures.

Miscellaneous coins in the public copy machine have not been removed and deposited annually. This will be done as recommended and incorporated into the office's Policies and Procedures until the coin option is permanently removed from the office.

2. Undisbursed Funds – Sheriff Cases

OBSERVATION

The Civil Division had six cases that were older than two years and remained open in the Sheriff Advance checking account with undisbursed funds. Reviewing these with the Prothonotary, we noticed that three of the cases totaling \$2,471.67 had money owed to the County for costs. With the previous computer system, if this money was disbursed, the case would be closed in the system even though more money was owed. Because the new computer system allows this money to be disbursed without the case closing, the Prothonotary paid this money to the County in May 2019 and the cases will remain open until the remainder of the money owed is paid to the Sheriff Advance account.

With the remaining three cases that total \$34,134.01, the Prothonotary could not determine who should receive the funds left in the account. With no costs owed on these cases, she presented them to her Division Solicitors for an opinion; however, they also could not determine who should receive the money. Having funds lay dormant in an account increases the risk of misappropriation.

RECOMMENDATION

The Prothonotary should consult with the Division Solicitor and the Director of Court Services to create a written policy regarding the disposition of older Sheriff Advance Funds. The policy should take into consideration the Disposition of Abandoned and Unclaimed Property Act. This written policy should be incorporated in the office's Policies and Procedures Manual.

MANAGEMENT RESPONSE

Holly Ruggiero, Clerk of Court – Prothonotary

The Prothonotary has notified the Solicitor as to the recommendation of the Controller and a copy of this response will be forwarded to the Solicitor. A meeting will be scheduled between the Director of Court Services, the Prothonotary, the Deputy Real Estate Clerk and the Solicitor and a legal determination will be made as to how to dispose of the three dormant cases.