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Audit Report

**DOMESTIC
RELATIONS SECTION
AGENCY FUND**

As of April 30, 2017

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



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June 19, 2017

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

We have completed an audit of the Domestic Relations Section Agency Fund as of April 30, 2017.

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 fiscal personnel in Domestic Relations. Their help was essential to the performance of this audit.

Our report was discussed with management at the conclusion of testing our and no exit conference was held. There is no Management response included in the Audit Results section as there were no reportable findings.

Very truly yours,

Stephen J. Barron, Jr., CFE
County Controller

Gary M. Krall, CMA
Staff Auditor

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EXECUTIVE SUMMARY

Our audit of the Domestic Relations Section (Domestic Relations) revealed that internal controls over cash, receipts and disbursements are functioning as intended. The three financial analysts and their support staff are able to properly segregate duties and retain complete and proper documentation for the financial transactions. Receipts for support payments and other fees are collected and accounted for by DRS financial staff and then properly recorded in the statewide PA Child Support Enforcement System (PACSES). Support payments are deposited the following business day in the PACSES support bank account which is swept daily by the State Collection and Disbursement Unit (SCDU) for distribution to plaintiffs. Payments collected by DRS for certain other fees are deposited in the County's common bank account via the Revenue Division.

INTRODUCTION

Domestic Relations is a division under the Court of Common Pleas and is supervised by the Office of Court Administration. Domestic Relations is responsible for establishing support orders and paternity, locating absent parents, and enforcing support orders including payment for medical costs. These functions are required by federal regulations and state law in order to ensure that non-custodial parents contribute toward the support of their dependents, allowing the dependents to stay off the welfare rolls and therefore save taxpayer dollars.

Domestic Relations is authorized by Federal Regulations and the Commonwealth of Pennsylvania to act in the capacity of a collection agent for the Commonwealth, and is responsible for collecting various support payments and depositing them in a bank account. After detailed payment information is transmitted to the State Collection and Disbursement Unit (SCDU), SCDU sweeps the money from the bank account and disburses the support payments to the plaintiffs or other proper parties. All of Pennsylvania's 67 counties are a part of the statewide PA Child Support Enforcement System (PACSES).

Since the inception of PACSES in 1998, the Commonwealth of Pennsylvania has been collecting the majority of the support payments directly. Consequently, the volume of support payments collected through Domestic Relations has been greatly reduced. During 2016 a total of \$40.7 million in support payments was collected for Northampton County cases, with approximately \$1.0 million collected at the Domestic Relations office. The remainder was collected directly by SCDU, mostly through wage attachment. In addition to support payments, Domestic Relations collected close to \$117,000 in fees during 2016 which is revenue to the County.

Support payments made to Domestic Relations and transmitted to the State are accounted for in an agency fund. An agency fund is a separate accounting entity within the government. It is used to account for assets held in a custodial capacity for individuals, private organizations, other governments and other funds. The funds collected by Domestic Relations are not for the use of Domestic Relations SRF expenditures. Domestic Relations reports the activity for their agency fund to Fiscal Affairs quarterly, where it's posted to the County's financial system. During the first three months of 2017, the agency fund had approximately \$334,000 in activity with a cash balance of \$19,068 at April 30, 2017.

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 the audit was on the receipt and disbursement functions, and on compliance with laws and regulations.

The purpose of the audit was to:

- Determine the adequacy of internal controls.
- Determine compliance with policies and procedures, laws and regulations.

The scope of the audit included the four-month period of January through April 2017.

Our tests did not include an examination of the PACSES computer system. PACSES is the property of the PA Department of Public Welfare and access to the system is restricted. We accepted all information from the system as accurate.

METHODOLOGY

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.

Our methodology included:

- Interviews with Domestic Relations staff to document processes, complete internal control questionnaires and discuss issues pertinent to the audit.
- Testing a sample of 25 daily receipts and 25 disbursements.
- Reviewing the bank reconciliation process.
- Performing a surprise cash count.
- Reviewing and evaluating Domestic Relations' policies and procedures.
- Determining if the activity posted to the agency fund financial statements in Fiscal Affairs is accurate.

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

No major audit findings were discovered during the testing of the Domestic Relations Section Agency Fund. We did note one minor exception which was discussed with management during fieldwork. This exception was explained by management prior to the audit date. Internal controls over receipts, disbursements, and cash are functioning well as DRS closely follows the documented policies and procedures they have established. There were no instances of noncompliance that came to our attention during testing.