

COMPLIANCE AUDIT

Prothonotary Lancaster County, Pennsylvania For the Period January 1, 2016 to December 31, 2019

May 2021



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

The Honorable C. Daniel Hassell
Secretary
Pennsylvania Department of Revenue
Harrisburg, PA 17128

We have conducted a compliance audit of the Prothonotary, Lancaster County, Pennsylvania (County Officer), for the period January 1, 2016 to December 31, 2019, pursuant to the requirements of Sections 401(b) and 401(d) of *The Fiscal Code*, 72 P.S. § 401(b) and § 401(d).

The objective of the audit was to determine whether all moneys collected on behalf of the Commonwealth have been correctly assessed, reported, and promptly remitted and to provide a report to the Department of Revenue to allow the Department of Revenue to state and settle the County Officer's account. Our audit was limited to areas related to the objective identified above and was not conducted, nor was it required to be, in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

The County Officer is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the County Officer complies with state laws and regulations applicable to the collection of moneys on behalf of the Commonwealth, including whether they have been correctly assessed, reported, and promptly remitted. The County Officer is also responsible for complying with those laws and regulations. It is our responsibility to perform procedures to obtain sufficient, appropriate evidence to the extent necessary to satisfy the audit objective. We believe that our audit provides a reasonable basis for our conclusions.

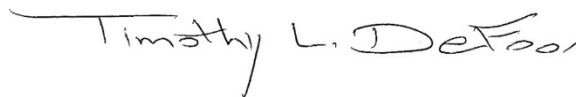
Based on our audit procedures, we conclude that, for the period January 1, 2016 to December 31, 2019, the County Officer, in all significant respects, complied with state laws and regulations applicable to the collection of moneys on behalf of the Commonwealth, including whether they have been correctly assessed, reported, and promptly remitted, except as noted in the finding listed below and discussed later in this report.

- Inadequate Internal Controls Over Manual Receipts - Recurring.

This report includes a summary of the County Officer's receipts and disbursements of funds collected on behalf of the Commonwealth (summary). We obtained data representing the County Officer's receipts and disbursements from the Pennsylvania Department of Revenue and Administrative Office of the Pennsylvania Courts, which obtains data from each of the Commonwealth's Prothonotaries offices, and used the data to create the summary in the format required by the Department of Revenue. We also evaluated the accuracy of the data as part of our audit to conclude on the County Officer's compliance with certain state laws and regulations as described in the previous paragraph. Any adjustments that we considered necessary based on our audit work are disclosed in the *Audit Adjustments* line of the summary; however, the scope of our audit does not include the issuance of an opinion on the accuracy of the amounts reported in the summary.

The purpose of this report is to determine whether all moneys collected on behalf of the Commonwealth have been correctly assessed, reported, and promptly remitted. This report is not suitable for any other purposes.

The contents of this report were discussed with the management of the County Officer and, where appropriate, their response has been included in the report. We appreciate the courtesy extended by the Prothonotary, Lancaster County, to us during the course of our audit. If you have any questions, please feel free to contact the Bureau of County Audits at 717-787-1363.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending to the left of the first letter.

Timothy L. DeFoor
Auditor General

April 28, 2021

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PROTHONOTARY
LANCASTER COUNTY
BACKGORUND
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2019

The Department of Auditor General is mandated by Article IV, Section 401(b) and (d) of *The Fiscal Code* (Act of April 9, 1929, P.L.343, No. 176), to audit the accounts of each county officer to determine whether all moneys collected on behalf of the Commonwealth have been correctly assessed, reported and promptly remitted.

Receipts consist of monies collected on behalf of the Department of Revenue and the Administrative Office of Pennsylvania Courts. These include monies collected for the following taxes, surcharges, fees, and fines:

- Writ Taxes of \$.50 or \$.25 imposed on taxable instruments filed with the Prothonotary.
- Divorce Complaint Surcharges of \$10 imposed on all divorce decrees.
- Judicial Computer System/Access To Justice Fees of \$35.50 imposed on all petitions for grant of letters, and first filings in petitions concerning adoptions, incompetents' estates, minors' estates, and inter vivos trusts. Effective October 30, 2017, Act 40 and Act 44 increased the fee to \$40.25.
- Protection From Abuse Surcharges of \$100 imposed against defendants when a protection order is granted as a result of a hearing. Protection From Abuse Contempt Fines of not less than \$300 nor more than \$1,000 imposed against a defendant who is found to be in violation of a protection from abuse order.
- Criminal Charge Information System Fees imposed on all custody cases. Of the fee imposed, 80% is payable to the Administrative Office of Pennsylvania Courts (AOPC) and 20% is payable to the County in which the action took place. The statement of receipts and disbursements only reflects the portion collected on behalf of the AOPC.

PROTHONOTARY
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BACKGORUND
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Total disbursements are comprised as follows:

Prothonotary checks issued to:

Department of Revenue	\$ 894,453
Adminstrative Office of Pennsylvania Courts	<u>14,082</u>
Total	<u><u>\$ 908,535</u></u>

This balance reflects a summary of monthly transmittal reports as settled by the Department of Revenue. The balance also reflects a summary of receipts disbursed directly to the Administrative Office of Pennsylvania Courts. It does not reflect adjustments disclosed by our audit. Refer to Exhibit 1.

Katherine Wood-Jacobs served as Prothonotary during the period January 1, 2016 to December 31, 2019.

The summary of receipts and disbursements provides a summary of receipts and disbursements by category. The categories and the amounts of taxes, surcharges, fines, and fees assessed are based on Pennsylvania laws and regulations.

The summary was prepared in accordance with reporting requirements prescribed by the Pennsylvania Department of Revenue. Under this method, only the Commonwealth portion of cash receipts and disbursements are presented, revenues are recognized when received, and expenditures are recognized when paid.

The audit adjustment of \$1,446 represents the aggregate amount of underpayments/overpayments made to Commonwealth for various fines, costs, fees, and surcharges that the office adjusted on its monthly remittances over the course of our audit period.

PROTHONOTARY
LANCASTER COUNTY
SUMMARY OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2019

Receipts:

Writ Taxes	\$ 14,281
Divorce Complaint Surcharges	49,860
Judicial Computer System/Access To Justice Fees	821,982
Protection From Abuse Surcharges and Contempt Fines	7,331
Criminal Charge Information System Fees	<u>14,063</u>
Total Receipts	907,517
Commissions	<u>(428)</u>
Net Receipts	907,089
Disbursements to Commonwealth	<u>(908,535)</u>
Balance due Commonwealth (County) per settled reports	(1,446)
Audit adjustments	<u>1,446</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2016 to December 31, 2019	<u><u>\$ -</u></u>

PROTHONOTARY
LANCASTER COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2019

Finding - Inadequate Internal Controls Over Manual Receipts - Recurring

We cited the issue of lack of internal controls over manual receipts in the prior two audit reports, with the most recent being the period January 1, 2012 to December 31, 2015. Our current audit found that the office did not correct the issue. Manual receipts are available to be issued in the event of a temporary power loss to the office's computer system. When the computer system is operating again, the manual receipt is replaced by an official computer-generated receipt and included in the daily receipts.

Our current audit disclosed the following deficiencies in the internal controls over manual receipts:

Of 25 receipts tested, we noted the following:

- Manual receipts were not always issued in numerical sequence. In addition, the office did not maintain proper documentation of the manual receipt numbers received from the County. Consequently, a complete population of manual receipts could not be determined.
- A manual receipt log was not maintained.
- There were 19 instances in which the manual receipt number was not entered into the computer system.
- There was one instance in which the manual receipt should have been voided, but was not.

These conditions existed because the office failed to establish and implement an adequate system of internal controls over manual receipts as recommended in our prior two audit reports.

Good internal accounting controls ensure that:

- Manual receipts are issued in numerical sequence and properly accounted for and the sequence of manual receipt numbers received from the County should be documented and maintained to ensure adequate accountability.
- A manual receipts log is maintained to document information that is recorded on the manual receipt, including date issued, date filed, case number, signature of the person receiving the payment, remitter name, payment source, and payment method. This will provide an audit trail on the issuance of the manual receipt.

PROTHONOTARY
LANCASTER COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2019

Finding - Inadequate Internal Controls Over Manual Receipts - Recurring (Continued)

- Manual receipt numbers are entered into the computer system when the corresponding computer receipt is generated.
- Manual receipts are properly voided when required.

Without a good system of internal controls over funds received by the office, the possibility of funds being lost or misappropriated increases significantly.

Adherence to good internal accounting controls would have ensured adequate internal controls over receipts.

Recommendation

We strongly recommend that the office establish and implement an adequate system of internal controls over manual receipts as noted above.

Management's Response

The County Officer responded as follows:

The findings to inadequate internal controls over manual receipts predates my taking office. In speaking with the auditor and my Chief Deputy, I am now aware of the issue. It is apparent that the Auditor General is not in favor of manual receipts and is requiring multiple controls above and beyond what we have believed to be adequate, even after modifications following the last audit. In light of these concerns, we will be reviewing our practice of using manual receipts with the goal of implementing a system that will eliminate the use of manual receipts altogether.

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FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2019

Finding - Inadequate Internal Controls Over Manual Receipts - Recurring (Continued)

Auditor's Conclusion

We appreciate the current officeholder's effort to correct these conditions.

While we recognize the officeholder's concerns regarding the continued use manual receipts, good internal accounting controls ensure that a manual receipts and the associated logs are maintained in order to provide for adequate accountability and establish an audit trail on the issuance of the manual receipts. The officeholder is responsible for establishing and implementing proper internal controls over manual receipts and manual receipts logs. The Department of the Auditor General cannot advise nor instruct an officeholder on whether or not to use manual receipts. However, our audit includes determining whether the office's internal controls over manual receipts are functioning and being adhered to as required. Without control over manual receipts, the possibility of collections being lost or misappropriated increases significantly.

This is a recurring finding. It is imperative that the office takes all corrective actions necessary to comply with our recommendation. During the next audit, we will determine if the office complied with our recommendation.

PROTHONOTARY
LANCASTER COUNTY
SUMMARY OF PRIOR AUDIT RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2019

Summary Of Prior Audit Recommendation

During our prior audit, we recommended that the office:

- Establish and implement an adequate system of internal controls over manual receipts.

During our current audit, we noted that the office did not comply with our recommendation. Please see the current year finding for additional information.

PROTHONOTARY
LANCASTER COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2019

This report was initially distributed to:

The Honorable C. Daniel Hassell
Secretary
Pennsylvania Department of Revenue

The Honorable H. Geoffrey Moulton, Jr.
Court Administrator of Pennsylvania
Supreme Court of Pennsylvania
Administrative Office of Pennsylvania Courts

The Honorable Andrew E. Spade
Prothonotary

The Honorable Brian Hurter
Controller

The Honorable Joshua G. Parsons
Chairperson of the Board of Commissioners

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov.