

**Office of the Prothonotary
County of Berks, Pennsylvania**

Prothonotary Jonathan K. Del Collo

Annual Financial Statement Audit

For the Year Ended December 31, 2016



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Report Distribution List

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Office of the Controller



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Sandra M. Graffius, Controller
Tony Distasio, Esq., Solicitor

Internal Auditor's Report

Prothonotary Jonathan K Del Collo
Office of the Prothonotary
Berks County Courthouse, 2nd Floor
633 Court St
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Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements and Changes in Cash Balance of the Office of the Prothonotary for the year ending December 31, 2016.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatements, whether due to fraud or error.

Internal Auditor's Responsibility

Our responsibility is to annually audit the accounts of Row offices within the County and to report the results of such audits to the Berks County Commissioners, County Solicitor, the Auditor General of Pennsylvania.

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the

financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

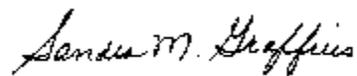
In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash receipts, disbursements and cash balance for the year ending December 31, 2016 in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, Internal Audit has also issued a separate report dated April 3, 2018 on our evaluation of the Office of the Prothonotary's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, policies and/or procedures. That report is an integral part of the audit performed in accordance with Government Auditing Standards and is to be read in conjunction with this report in considering the results of the audit.



Sandra M. Graffius, Controller
April 3, 2018

**Office of the Prothonotary
County of Berks, Pennsylvania
Statement of Receipts, Disbursements and Changes in Cash Balance – Cash Basis
For the Year Ended December 31, 2016**

Receipts

Prothonotary Fees	\$ 1,390,472
E-Filing and E-Conversion Fees	348,464
Advance Payments	290,654
Commonwealth of PA Fees and Taxes	251,118
Praecipe and Master Fees	153,221
Rent Escrow	142,996
Mediation Cost and Surcharge	80,055
Passport Fees	35,075
Photocopier Fees	23,912
Prothonotary Automation Fund	29,120
Wage Attachment	28,059
Act 119	5,088
Interest income	2,381
County/Sheriff Abuse Fees	1,258
Total Receipts	<hr/> 2,781,873

Disbursements

Prothonotary Fees	1,403,350
E-Filing and E-Conversion Fees	352,853
Advanced Payments	322,787
Commonwealth of PA Taxes and Fees	253,693
Praecipe and Master	156,896
Rent Escrow	139,101
Mediation Cost and Surcharge	81,035
Passport Fees	34,875
Prothonotary Automation Fund	29,420
Wage Attachment	28,975
Act 119	5,128
Photocopier Maintenance	1,860
Interest Payment	1,263
County/Sheriff Abuse Fees	708
Total Disbursements	<hr/> 2,811,944

Cash Increase (Decrease)	(30,071)
Cash, Beginning of Year	<hr/> 1,561,543
Cash, End of Year	<hr/> \$ 1,531,472

The accompanying notes are an integral part of the financial statement.

**Office of the Prothonotary
County of Berks, Pennsylvania
Notes to Financial Statement
For the Year Ended December 31, 2016**

Note 1: Nature of the office and significant accounting policies

Background and Reporting Entity:

The Office of the Prothonotary is responsible for filing and processing all civil actions (i.e., divorce, custody, protection from abuse, civil law suits etc.), equity actions, judgments, federal and local tax liens, city liens, family court matters, license suspension appeals, appeals to higher court, uniform commercial code filings, applications for passports, and arbitration hearings. This office also files all judgments, orders, decrees of the court, and sends out notices of such entry to parties and/or counsel in each case. The Prothonotary issues writs of execution and other writs, reviews pleadings filed for compliance with Pennsylvania Rules of Civil Procedure and Berks County Rules of Court, and collects filing fees for the County and writ tax and surcharges for the Commonwealth.

The actual operating expenses of the Prothonotary are paid by the County of Berks. These costs include the salaries and wages of office employees, fringe benefits, postage, telephone, office supplies, computer/LAN use, and furniture and equipment. These costs are not included in the audited Statements of Cash Receipts, Disbursements, and Cash Balance.

Basis of accounting:

The books and records of the Office of the Prothonotary are maintained on the cash basis of accounting and, therefore, the financial statements presented herein do not purport to present the account balances and results of operations in conformity with generally accepted accounting principles. The cash basis of accounting is another comprehensive basis of accounting.

Cash and cash equivalents:

The Office of the Prothonotary considers cash and equivalents to be cash on hand, on deposit and investments with a maturity of three months or less when purchased.

Cash accounts:

The financial statement prepared for the Office of the Prothonotary reflects primarily trust and agency account activity. The accounts are maintained and reconciled by the Office of the Prothonotary. The financial statement also reflects the collection and transfer of fees to a special Prothonotary automation fund (Act 164), which was mandated by the Pennsylvania legislature for the purpose of office automation. The Prothonotary's share of the County record improvement fund (PS 21052.1), a special revenue-operating fund, is a separate compilation. Administrative costs and expenses incurred by the Office of the Prothonotary are reflected on the books and records of the County of Berks and not on these financial statements.

**Office of the Prothonotary
County of Berks, Pennsylvania
Notes to Financial Statement - Continued
December 31, 2017**

Note 2: Cash and Equivalents

The following cash accounts are in the name of the County of Berks, Office of the Prothonotary, and are reflected in the County of Berks financial statements:

<u>Bank</u>	<u>Account Type</u>	<u>Bank Balance</u>	<u>Carrying Value</u>
BB&T	Operating Account	\$ 1,422,651	\$ 1,418,535
BB&T	EFT Account	63	63
BB&T	E-Filing Account	<u>107,364</u>	<u>112,874</u>
		<u>\$ 1,530,078</u>	<u>\$ 1,531,472</u>

The Operating Account holds funds received by the Office of the Prothonotary in a trust and agency capacity and use of these funds, by the Office of the Prothonotary, is restricted.

Note 3: Court-ordered deposits

Court-ordered deposits represent cash on deposit with local financial institutions that are maintained by the Office of the Prothonotary as directed by the civil court. These bank accounts are monies the court has ordered litigants in civil cases to place on deposit pending the outcome of a court case. The Office of the Prothonotary acts as an agent for the court by maintaining and reconciling these bank accounts until ordered by the court to make disbursements to the designated litigants of a court case. All interest earned or bank fees incurred are adjusted to the balance of these bank accounts and are not paid to or from the County of Berks. As of year-end 2016, the Office of the Prothonotary was in control of seven separate bank accounts for court-ordered deposits.

Note 4: Legal Matters

Our audit disclosed no pending litigation involving the Office of the Prothonotary or Mr. Jonathan K Del Collo, Prothonotary, which would affect the financial statements for the year ended December 31, 2016.

Note 5: Prothonotary during audit period

Marianne Sutton was the County of Berks Prothonotary until October 3, 2016 when she retired. Upon her retirement, Jonathan K Del Collo was the Acting Prothonotary for the remainder of 2016.

Note 6: Subsequent Events

Jonathan K Del Collo remained the Acting Prothonotary for 2017, and in January 2018, prior to the date of the audit report, Del Collo was officially sworn in as the County of Berks Prothonotary.

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Internal Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Prothonotary Jonathan K Del Collo
Office of the Prothonotary
Berks County Courthouse, 2nd Floor
Reading, PA 19601

In planning and performing our audit of the financial statement of the Office of the Prothonotary for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Office of the Prothonotary's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Office of the Prothonotary's internal control. Accordingly, we do not express an opinion on the effectiveness of the Office of the Prothonotary's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the Schedule of Findings and Recommendations that we consider to be significant deficiencies.

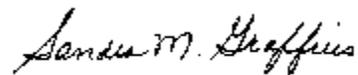
- Inability to summarize and reconcile Cost Books
- Lack of controls over manual receipts
- Inconsistent controls over voided transactions
- Daily Reconciliation Reports- Lack of approvals for adjustments, no explanation for adjustments, and missing signatures.
- Lack of Management Control over Bank Reconciliations
- Shared Usernames and Drawers

The management of the Office of the Prothonotary's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Recommendations. The management of the Office of the Prothonotary's response was not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on the response.

As part of obtaining reasonable assurance about whether the Office of the Prothonotary's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect in the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to the management of the Office of the Prothonotary in a separate letter dated April 3, 2018.

This report is intended solely for the information and use by the management of the Office of the Prothonotary and other affected county offices, and is not intended to be, and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Sandra M. Graffius, Controller
April 3, 2018

**Office of the Prothonotary
County of Berks, Pennsylvania
Schedule of Audit Findings and Recommendations**

Material Weakness/Significant Deficiency and Management's Response

1. Inability to Summarize and Reconcile Cost Books

Condition: There is an inability to summarize and reconcile Rent Escrow and Advance Payment transactions from the Cost Books. The Prothonotary records advance payments and rents held in escrow on a case-by-case basis in manual ledger books called Cost Books. This system has been in place long before the current, or prior, Prothonotary took office. Due to the age and manual nature of this recording system, there is no way for the Prothonotary to produce a detailed summary of individual account balances that can be easily reconciled to spreadsheet balances. The detail of account activity has to be compiled and summarized manually.

The Cost Books contain many entries, going back to 1978, which should have been resolved previously. This is a known issue for the Prothonotary's office, and has been noted as a Finding and then Significant Deficiency in prior years.

Recommendation: This was listed as a Significant Deficiency in the previous audit and has not been corrected. It is noted that the Prothonotary is currently in the process of now attempting to rectify the situation and clean up the cost books. The lack of ability to summarize and reconcile Rent Escrow and Advance Payment transactions is a significant concern for the Prothonotary's Office and creates a substantial risk for potential fraud. We recommend that the Prothonotary continues the efforts to remedy this Cost Book situation and follows through until this issue is satisfactorily resolved.

Management's Response: Soon after assuming office as Acting Prothonotary on October 4, 2016, I instructed the bookkeeper and all staff to be completely transparent with Controller Office personnel as it pertains to any and all auditing that the Controller's Office needed to either finish or commence. The Bookkeeper and prior bookkeeper (now Office Manager) have been and continue to be in touch with auditing regarding this deficiency. It is my understanding the Prothonotary Office will receive the assistance from a staffer in the Controller Office to assist us in rebuilding, summarizing and reconciling the cost books once and for all. I have also been directly working with Controller Graffius and her staff to close accounts and pay out escrow money when able.

2. Lack of Controls over Manual Receipts

Condition: There was a significant lack of internal controls over manual receipts observed by Internal Audit. Numerous Office Support staff members had individual manual receipt packs at their desk. It was not known who had any or how many were possibly in use. There is no manual receipt log or tracking. There was no way to determine if any manual receipts were used in 2016 due to the lack of record keeping and controls. There is a significant lack of oversight as to when or if manual receipts are used, and a lack of record keeping as to what has been used or if it manual receipt

**Office of the Prothonotary
County of Berks, Pennsylvania
Schedule of Audit Findings and Recommendations (continued)**

Material Weakness/Significant Deficiency and Management's Response (continued)

information was then correctly entered into the CMS System. There was also a box of manual receipts stored in the vault where any staff member could access them during the day.

Recommendation: Lack of effective controls over manual receipts creates a substantial risk for potential fraud. We recommend that the Prothonotary's office create and implement a policy and system to record and control the use of manual receipts, including restricting and controlling the physical manual receipts and keeping a log of approval and use.

Management's Response: After being sworn into office as the elected Prothonotary on December 29, 2017 manual receipting throughout the office was discontinued. All the old manual receipt books were collected by staff that were holding them and shredded. The bookkeeper keeps one or two manual receipt books in case of a power outage or system outage in the office and only the bookkeeper will issue a manual receipt should the need arise. Manual receipts will also be numbered should they need to be used.

3. Inconsistent Controls over Voided Transactions

Condition: We noted the following with regard to voided transactions/receipts:

- Lack of proper management approval initials (8 receipts in the sample)
- No replacement receipt attached (9 voided receipts in the sample)
- No original receipt was attached (1 receipt in the sample)
- Receipts created / voided by the same individual (2 receipts in the sample)
- No written reason for the void (2 receipts in the sample)

There are consistent errors across multiple areas related to voided receipts. As a result, there is an unclear audit trail with regard to the receipts issued being properly voided.

Recommendation: Lack of effective controls over voided transactions/receipts creates a substantial risk for potential fraud, We recommend that the Prothonotary's office strive to follow the already established departmental procedures regarding Voided Receipts with consistency and attention to detail, and to be sure that all staff members are aware of the proper procedures for processing a voided receipt.

Management's Response: After being sworn into office as the elected Prothonotary the process for handling voided transactions was revamped. Effective now, members of management are the only persons who can do voids. Should a void be needed the incorrect receipt will be married to the void slip as well as a copy of the correct receipt into a small packet of receipts. An explanation will also be provided on the back of the receipt packet.

**Office of the Prothonotary
County of Berks, Pennsylvania
Schedule of Audit Findings and Recommendations (continued)**

Material Weakness/Significant Deficiency and Management's Response (continued)

4. Daily Reconciliation Reports: Lack of Approvals for Adjustments, No Explanation of Adjustments, and Missing Signatures

Condition: Due to the fact that the CMS/Cashiering system frequently captures information for fee break outs and totals incorrectly for the Daily Reconciliation Report, there are frequently adjustments that have to be made to the Daily Reconciliation report. However, there is no documentation to explain why certain adjustments are made to certain fee categories to make the totals agree. There is also no documentation of any management approval of the adjustments done to the Daily Reconciliation Reports.

Each staff member's daily cash drawer report should be signed by that staff member, and each should also be approved by Donna O'Donnell or a member of management who is running the Daily Reconciliation Report. There were 11 instances in the 30 dates tested where a signature was missing from one of these report sheets.

Recommendation: The lack of management approvals and explanations of adjustments done to the Daily Reconciliation Report creates a substantial risk for potential fraud and errors. Missing signatures also create an issue with accountability if there was an issue. We recommend that the Prothonotary's office document when approvals are given for adjustments and also document the reason why adjustments have been done to specific fee categories, and also monitor that all reports are signed off by the appropriate individuals each day.

Management's Response: After being sworn into office as the elected Prothonotary the process for handling approvals and adjustments on Daily Reconciliation Reports was revamped. Now, an explanation as to why an adjustment was needed will be provided on the Daily Reconciliation Report. Members of management, when checking the daily deposit of receipts, will also check and verify any and all adjustments and explanations that were made to any Daily Reconciliation Report.

5. Lack of Management Control over Bank Reconciliations

Condition: The monthly bank statements, canceled checks, and outstanding checks should be reviewed and the month-end bank reconciliations should be re-performed by the Office Manager and/or Chief Deputy on a monthly basis, with an approving signature on the bank reconciliation. This verification process is not currently occurring and being properly documented.

Recommendation: This was listed as a Finding in the previous audit and has not been corrected. We recommend that management of the Office of the Prothonotary re-perform month-end bank statement reconciliations on a monthly basis going forward and signing off on this procedure as well as implementing a rotation of this duty among the Office Manager and the Chief Deputy.

**Office of the Prothonotary
County of Berks, Pennsylvania
Schedule of Audit Findings and Recommendations (continued)**

Material Weakness/Significant Deficiency and Management's Response (continued)

Management's Response: After being sworn into office as the elected Prothonotary the process for reviewing monthly bank statements, cancelled checks and outstanding checks was revamped. Now, management is re-performing month-end bank statement reconciliations with a monthly rotation between the Chief Deputy Prothonotary and the Prothonotary Office Manager.

6. Shared Usernames and Drawers

Condition: There are 2 shared usernames/drawers in use on the "PFA" side of the department. Having not only a shared drawer but also shared usernames for these staff members does not allow for any sort of audit trail or accountability among the staff members if there was an issue. It is especially of concern as these drawers often handle payments for Photocopies, of which there is no transaction record except the receipt.

Recommendation: Lack of effective accountability over cash drawers creates a substantial risk for potential fraud. We recommend that the Prothonotary's office at a minimum eliminate shared usernames, and ideally eliminate the shared cash drawer as well. If different usernames were employed, the transactions would at least be traceable to a particular individual if there was an issue or concern and makes the staff members more accountable for transactions that are processed on the drawer.

Management's Response: We are currently undergoing a complete overhaul of the use of cashier drawers throughout the office. Once complete, there will be no more shared cashier drawers. Any and all employees who process transactions will have his/her own cash drawer and cashiering system on his/her desk and each system will have a secure username and password for that user only.

**Office of the Prothonotary
County of Berks, Pennsylvania
Schedule of Prior Year Audit Findings and Recommendations**

Significant Deficiency and Management's Response

**1. Untimely Remittance of Photocopy and Interest Receipts to the County of Berks
Treasurer**

Condition: Interest earnings from funds held on deposit for the year 2013 were \$568.27 including \$1.11 in the tax lien account. The Office of the Prothonotary had no remittances to the Office of the Treasurer for photocopy monies in 2013. Balance of undistributed monies remaining in the Prothonotary general account at December 31, 2013 total \$75,392.60. The Office of the Prothonotary normally makes partial disbursements of these collected fees to the Office of the Treasurer in late December of the current year. **Note:** 2013 interest of \$567.16 was remitted on January 7, 2014. Section 1602 of the Third Class County Code requires all fees collected and earned to be remitted to the Office of the Treasurer by the first Monday of the month following collection.

Recommendation: The practice of other Row Offices is to remit the fees and interest on or before the tenth of the month following the month of collection. This allows sufficient time for the office to reconcile their bank accounts and identify interest earnings on the account. In the past the Office of the Prothonotary has routinely maintained a deposit account based upon revenue from the photocopier, which is then in turn used to pay fees and expenses arising from modernization projects in the office that might not be covered under their standard budget and automation fund. The untimely delay of remitting the interest earnings and photocopy fees is not in compliance with the County policy or practice. Monies collected should be remitted more frequently to the County of Berks Treasurer.

Management's Response: The Prothonotary Office has maintained what we thought was a long standing precedent of holding some portion of photocopy monies in order to purchase new copiers and related equipment when needed as in the past requests such as this were denied by the County as not being budgeted and being too costly. We have been and continue to remit a portion of copy monies to the County each year. However, after the exit interview of September 20, 2016 and upon further examination of the final audit report we will re-evaluate our processes and strive to begin remitting photocopy monies and interest to the County in as timely a manner as possible.

Auditor's Conclusion: The Prothonotary Office should have knowledge of the laws and regulations that pertain to the office and stay up to date with current laws and regulations. We appreciate the offices re-evaluation of their processes and attempt to correct the issue. However, it is imperative that the office follow the requirements of Section 1602 of the Third Class County Code requires all fees collected and earned to be remitted to the Office of the Treasurer by the first Monday of the month following collection. During our next audit, we will determine if the office complied with our recommendations.

Current Status: This issue is no longer a significant deficiency for audit year 2016. After assuming office as Acting Prothonotary photocopy fees in the amount of \$68,909.74 were turned over to the county and a policy instituted to remit funds to the county on a monthly basis.

**Office of the Prothonotary
County of Berks, Pennsylvania
Schedule of Prior Year Audit Findings and Recommendations (continued)**

2. Inability to Summarize Rent Escrow and Advance Payment Data

Condition: The Office of the Prothonotary records advanced payments and rents held in escrow on a case-by-case basis in manual ledger books called cost books. The hard copy source document is then filed in the individual docket file.

This system of recording the rent escrow and advance payment activity has been in place for many years, long before the current elected official took office. This system does not have the flexibility for the Office of the Prothonotary to produce a detailed summary of individual account balances that can be easily reconciled to the spreadsheet balances. The detail of account activity has to be compiled and summarized manually.

The manual processing of information to the cost books has led to relatively small differences with the trial balance and detail spreadsheets in past audit years. The variance identified for 2012 was (\$1,425.53), which reflected the cost book balances as lower than the trial balance. The previous five (5) year balance was (\$6,522.98), which reflected the cost book balances as higher than the trial balance. These variances were well below materiality levels for this audit.

Recommendation: The Office of the Prothonotary will continue to escheat monies in the older volumes pre-volume 52 and analyze volume 52 and 53 (the current volume used to document monies received and disbursed) and adjust the differences during the year as they find them.

Management's Response: The Prothonotary Office admits that due to processes established by prior Prothonotaries and their bookkeeping personnel the cost books are not in the proper balance that they should be. It appears that the office has also not escheated monies from stale checks which has led to the inequity in the cost books. This finding and possible solutions to rectifying it were discussed in length during the Exit Interview. One viable solution was scanning the cost books and then exporting the data into a spreadsheet for analysis and comparison. It was agreed by the group to investigate this solution.

Auditor's Conclusion: Effective internal controls require the office maintain accountability over all undisbursed funds. These controls include an accurate list of all funds held in escrow. This finding has been brought to the attention of the office in prior audits and inconsistencies in the balance continue to grow.

We appreciate the office's attempt to correct this issue. However, it is the responsibility of the office to create and maintain an accurate list of all undisbursed funds to ensure they are properly accounted for. During our next audit, we will determine if the office complied with our recommendations.

Current Status: This issue remains a significant deficiency for Audit Year 2016, please see Significant Deficiency #1 above in the Current Year Audit Findings and Recommendations.