

COUNTY OF BERKS, PENNSYLVANIA

Office of the Controller



Services Center, 12th Floor
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Reading, PA 19601-4311

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Mark C. Scott, Commissioner Chair
Christian Y. Leinbach, Commissioner
Kevin S. Barnhardt, Commissioner

Sandra M. Graffius, Controller
Jack A. Linton, Esq., Solicitor

August 8, 2011

Mrs. Marianne R. Sutton
Prothonotary
Office of the Prothonotary
County of Berks, Pennsylvania

Re: Internal Auditor's Report

Dear Mrs. Sutton:

We have completed our compilation of the financial statements of the Office of the Prothonotary for the year ended December 31, 2010 and have attached the report for your review and consideration.

Since there was no significant finding or instance of non-compliance noted, no response is required and the attached report is the final report.

This report is intended for the use of the Office of the Prothonotary management. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

I would like to thank you for your cooperation and for the courtesies extended by your staff to mine. If you have any questions concerning our audit or the attached report, I would be glad to discuss them with you.

Yours truly,

Sandra M. Graffius

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

Marianne R. Sutton, Prothonotary

Annual Financial Report

As of December 31, 2010

Contents

Report Distribution List	1
Internal Auditor's Report	2
Statement of Assets, Liabilities and Fund Balance – Cash Basis	3
Statement of Receipts, Disbursements and Changes in Cash Balance - Cash Basis	4
Notes to Financial Statements	5
Internal Auditor's Report on Internal Controls and Compliance	9
Status of Prior Year Audit Results	10

Report Distribution List

1. Marianne R. Sutton, Prothonotary
2. Mark C. Scott, County Commissioner Chair
3. Kevin S. Barnhardt, County Commissioner
4. Christian Y. Leinbach, County Commissioner
5. Susan N. Denaro, Solicitor for Prothonotary
6. Jack Wagner, Pennsylvania Auditor General
7. MaherDuessel, Certified Public Accountants
8. Audit File

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Internal Auditor's Report

Mrs. Marianne R. Sutton
Prothonotary
Office of the Prothonotary
County of Berks, Pennsylvania

We have compiled the accompanying statement of assets, liabilities and fund balance – cash basis as of December 31, 2010 for the Office of the Prothonotary, a unit of the County of Berks, Pennsylvania, and the related statement of receipts, disbursements and changes in cash balance – cash basis for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. These financial statements are the responsibility of the Office of the Prothonotary management.

A compilation is limited to presenting in the form of financial statements, information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

As described in Note 1, the accounts of the Office of the Prothonotary are maintained, and the accompanying financial statements are prepared, on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

We have included a report on our consideration of the Office of the Prothonotary internal control structure and on its compliance with laws and regulations. We have reviewed compliance and internal control matters in accordance with the Commonwealth of Pennsylvania Third Class County Code and County of Berks ordinances and resolutions and have included applicable comments related thereto in the respective report.

Sandra M. Graffius, Controller
June 1, 2011

**Office of the Prothonotary
County of Berks, Pennsylvania
Statement of Assets, Liabilities and Fund Balance – Cash Basis
As of December 31, 2010**

Assets	
Cash in bank	\$ 637,564
Cash on Hand	800
Court-ordered deposits (See Note 3)	<u>45,742</u>
Total assets	<u>\$ 684,106</u>
Liabilities and Fund Balance	
Liabilities	
Due to the County of Berks	\$ 230,838
Due to the County of Berks – Mediation fees	6,005
Due to the County of Berks – Praecipe & Master fees	10,725
Due to Commonwealth of PA	19,050
Due to Administrative Office of PA Courts	269
Due to others	571
Funds held in escrow - Rent	10,597
Funds held in escrow – Advanced Payments	359,509
Reserve for court-ordered deposits	<u>45,742</u>
Total liabilities	<u>683,306</u>
Fund balance	<u>800</u>
Total liabilities and fund balance	<u>\$ 684,106</u>

The accompanying notes are an integral part of these financial statements.
See accountant's compilation report.

**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, 2010**

Receipts

Prothonotary fees	\$ 2,063,763
Photocopier fees	33,945
Passport fees	44,250
Commonwealth of PA, fees and taxes	292,240
Prothonotary automation fund	58,625
Mediation cost and surcharge	96,055
Praecipe and master fees	78,525
Other receipts – Wage Attachment	20,509
Rent escrow	61,831
Advance payments	126,003
Interest income	<u>1,063</u>
Total receipts	<u>2,876,809</u>

Disbursements

County of Berks	2,094,714
Commonwealth of PA	286,866
Prothonotary automation fund	58,620
Mediation cost and surcharge	90,050
Praecipe and master	67,800
Rent escrow	71,391
Advanced payments	125,269
Photocopier maintenance and supplies	10,794
Bank fees	1,195
Other payments – wage attachment	<u>20,700</u>
Total disbursements	<u>2,827,399</u>

Cash receipts in excess of disbursements 49,410

Cash account balance as of January 1 \$ 588,154

Cash account balance as of December 31 \$ 637,564

Note A: Disbursements above reflect payments for the period December 2009 through November 2010. Receipts are accumulated monthly and paid to the County of Berks Treasurer the first business day of the next month.

The accompanying notes are an integral part of these financial statements.
See accountant's compilation report.

**Office of the Prothonotary
County of Berks, Pennsylvania
Notes to Financial Statements
December 31, 2010**

Note 1: Nature of the Office and Significant Accounting Policies

Nature of the Office:

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.

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 an other 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 statements prepared for the Office of the Prothonotary reflect primarily trust and agency account activity. The account is maintained and reconciled by the Office of the Prothonotary. These financial statements also reflect 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 Statements - Continued
December 31, 2010**

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>
National Penn	Operating management	\$ 635,055	\$ 634,781
National Penn	EFT liens	2,783	2,783
Cash	cash on hand	800	800
		<u>\$ 638,638</u>	<u>\$ 638,364</u>

The general checking 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.

The operating management account is an interest-bearing account. For the year ended December 31, 2010, this account earned \$1,052 of interest income. The EFT Liens account is used exclusively to process IRS tax lien activity. Amounts on deposit in excess of FDIC limits are collateralized by the financial institution with securities held by that entity.

Note: Additional interest of \$11.38 was earned in 2010. The Sovereign Money Management account earned \$5.60 prior to close out in November 2010 and the National Penn EFT liens account earned \$5.78 in 2010.

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. A corresponding liability for these funds is shown on the face of the financial statements and titled "Reserve for court-ordered deposits." As of year-end the Office of the Prothonotary was in control of eleven separate bank accounts for court-ordered deposits.

**Office of the Prothonotary
County of Berks, Pennsylvania
Notes to Financial Statements - Continued
December 31, 2010**

Note 4: Due to County of Berks

The balance due to the County of Berks as of December 31, 2010, is comprised of the following:

December Prothonotary fees	\$ 159,339
Interest earned	1,063
December Passport fees	2,200
December PA tax	12
December Act 119	67
Photocopy fee	53,887
December County/Sheriff abuse fees	10,850
December Prothonotary automation fund	<u>3,420</u>
Total	<u>\$ 230,838</u>

Receipts of these types are paid to the County's general fund on a monthly or annual basis, except the Prothonotary automation fund, which is paid into a special revenue account maintained by the Office of the Treasurer.

Note 5: Due to Commonwealth of PA

The balance due to the Commonwealth of PA as of December 31, 2010, is the Commonwealth's share of the following:

December PA tax	\$ 383
December Children's Trust Fund	840
December PA Judicial Computer Project	17,702
December protection from abuse surcharge	<u>125</u>
Total	<u>\$ 19,050</u>

Receipts of these types are paid to the Commonwealth on a monthly basis. In addition to the above, Act 119 collections of \$269 are due to the Administrative Office of Pennsylvania Courts (AOPC).

**Office of the Prothonotary
County of Berks, Pennsylvania
Notes to Financial Statements - Continued
December 31, 2010**

Note 6: Rent escrow

When directed by the court, the Office of the Prothonotary acts as an agent responsible for collecting rents from tenants who have been found delinquent. Property owners who have filed civil actions against delinquent tenants receive their rent payments through the Office of the Prothonotary to ensure a timely receipt and adherence of the tenant to the court order. In the event of a late or missing payment to the Office of the Prothonotary the property owners have cause for filing civil action for eviction of the tenant from the property.

Note 7: Advanced payments

When directed by the court the Office of the Prothonotary, acting as an agent, holds amounts the court requires litigants in civil cases to put on deposit pending the outcome of a court case. These deposits are used to pay potential court costs, fines, penalties and other expenses associated with a court case

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Internal Auditor's Report on Compliance and Internal Controls

Mrs. Marianne R. Sutton
Prothonotary
Office of the Prothonotary
County of Berks, Pennsylvania

In completing our internal audit of the Office of the Prothonotary for the year ended December 31, 2010, we performed tests for compliance with certain financial provisions of laws, regulations, contracts, grants, and applicable policies. Noncompliance is considered a significant finding when it could have a direct and material effect on related financial information. The results of our tests disclosed no instances of noncompliance.

We also performed tests of the Office of the Prothonotary's internal control over financial information and noted no significant findings in internal controls. Significant findings involve matters coming to our attention relating to deficiencies in the design or operation of the internal control over financial information that, in our judgment, could adversely affect the Office of the Prothonotary's ability to adequately and properly record, process, summarize and report financial data.

This report is intended for the information and use of the County of Berks Board of Commissioners and the Office of the Prothonotary's management. However, this report is a matter of public record and its distribution is not limited.

Sandra M. Graffius, Controller
June 1, 2011

**Office of the Prothonotary
County of Berks, Pennsylvania
Report on Internal Controls as of June 1, 2011
Status of Prior Year Results**

<u>Description of Condition</u>	<u>Corrective Action Implemented</u>
No prior year audit findings	N/A

**Office of the Prothonotary
County of Berks, Pennsylvania
Discussion Items
For the Year Ended December 31, 2010**

Item # 1: Untimely Remittance of Photocopy Receipts to the County of Berks Treasurer

Interest earnings from funds held on deposit for the year 2010 were \$1,063.38, including \$5.78 in the tax lien account. Net photocopy receipts collected in 2010 were \$23,150.78 resulting in a balance of undistributed monies remaining at December 31, 2010 for photocopy fees of \$53,887.26. No monies were disbursed to the County of Berks Treasurer in 2010 for either account. 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: The Prothonotary changed banks in March 2010. The operating account and tax lien accounts were switched from Sovereign to National Penn.

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.

Disposition: Discuss at exit: The untimely delay of remitting the interest earnings and photocopy fees is not in compliance with County policy or practice. Monies collected should be remitted more frequently to the County of Berks Treasurer.

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 our standard budget and automation fund.

Item # 2: Late processing of remittances to County and State Offices

In 4 of the 12 months in 2010, monthly remittances to the County of Berks Treasurer and the Commonwealth of Pennsylvania were not timely. The standard practice is to process checks on the first business day of the following month and distribute the checks within 24 hours. The County checks are expected to clear the bank on the tenth of the month and the Commonwealth's checks by the fifteenth.

Disposition: Discuss at exit: The Office of the Prothonotary needs to commit the resources necessary to timelier remit monies to the County and Commonwealth.

**Office of the Prothonotary
County of Berks, Pennsylvania
Discuss at Exit
For the Year Ended December 31, 2010
(Continued)**

Item # 3: **Inability to summarize rent escrow and advance payment data**

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. 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. The variance identified for 2010 is \$1,748.29, which reflects the cost book balances as lower than the trial balance. The three (3) year balance is (\$2,576.55), which reflects the cost book balances as higher than the trial balance. These variances are well below materiality levels for this audit.

Disposition: Discuss at exit: This finding has been included in prior year audits. The variance has always been significantly below the materiality levels. Because of the high volume of activity in the escrow accounts some minor differences can be expected. The Office of the Prothonotary should make adjustments to the cost books as variances are discovered.

Comment:

One of the main reason for the above three findings was the absence of the Account Clerk due to several illnesses. During the months the Account Clerk was at work remittances to the County and Commonwealth were processed timely. Interest and photocopy monies would probably have been remitted at the end of the year, if the Account Clerk would have been at work in late December 2010.

In the past the Prothonotary had the capability to assign a full-time non-management employee to be the dedicated back-up/replacement to the Account Clerk. To correct these findings, a similar individual should be assigned these duties in the future