

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

Prothonotary Jonathan K. Del Collo

Annual Financial Statement Audit

For the Year Ended December 31, 2018



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Report Distribution List

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3. Kevin S. Barnhardt, County Commissioner
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10. Audit File

COUNTY OF BERKS, PENNSYLVANIA
Office of the Controller



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Kevin S. Barnhardt, Commissioner
Mark C. Scott, Esq., Commissioner

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
Reading, PA 19601

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, 2018.

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

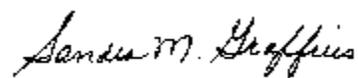
In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash receipts, disbursements and cash balance for the year ending December 31, 2018 in accordance with the cash basis of accounting described in Note 1.

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 June 12, 2019 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
June 12, 2019

**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, 2018**

Receipts

Advance Payments	\$ 1,919,115
Prothonotary Fees	1,299,764
E-Filing and E-Conversion Fees	294,098
Commonwealth of PA Fees and Taxes	257,402
Praecipe and Master Fees	142,902
Rent Escrow	111,389
Mediation Cost and Surcharge	67,995
Wage Attachment	47,488
Passport Fees	30,285
Prothonotary Automation Fund	26,540
Photocopy Fees	21,527
PFA Sheriff Fees	10,418
Interest	9,353
Act 119	4,688
County/Sheriff Abuse Fees	1,950
Total Receipts	4,244,914

Disbursements

Prothonotary Fees	1,293,376
Advance Payments	376,038
E-Filing and E-Conversion Fees	293,613
Commonwealth of PA Taxes and Fees	254,830
Praecipe and Master	135,502
Rent Escrow	85,046
Mediation Cost and Surcharge	68,230
Wage Attachment	47,257
Passport Fees	30,270
Prothonotary Automation Fund	26,320
Photocopy Fees	23,016
County/Sheriff Abuse Fees	12,650
PFA Sheriff Fees	10,822
Interest	6,243
Act 119	4,704
Total Disbursements	2,667,917

Cash Increase	1,576,997
Cash, Beginning of Year	1,083,148
Cash, End of Year	\$ 2,660,145

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, 2018**

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 Custodial 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, 2018**

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	\$ 2,524,185	\$ 2,524,524
BB&T	EFT Account	63	63
BB&T	E-Filing Account	119,121	135,558
		<u>\$ 2,643,369</u>	<u>\$ 2,660,145</u>

The Operating Account holds funds received by the Office of the Prothonotary in a Custodial 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 2018, the Office of the Prothonotary was in control of two 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, 2018.

Note 5: Subsequent Events

Management has evaluated subsequent events through June 12, 2019, which is the date the financial statement was available to be issued.

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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, 2018, 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.

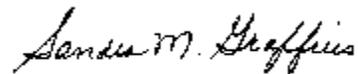
- Inability to summarize and reconcile Cost Books
- Inconsistent controls over voided transactions

The management of the Office of the Prothonotary's response to the findings 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 June 12, 2019.

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.

A handwritten signature in black ink that reads "Sandra M. Graffius". The signature is written in a cursive style with a large initial 'S'.

Sandra M. Graffius, Controller
June 12, 2019

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

Significant Deficiencies

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: This finding continues to be corrected. Reconciliation of cost books continues in conjunction with assistance from the Controller's Office.

2. Inconsistent Controls over Voided Transactions

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

- No replacement receipt attached (13 receipts in the sample)
- No original receipt was attached (8 receipts in the sample)
- Written reason for the void was vague/nonspecific (6 receipts in the sample)
- Lack of proper management approval initials (5 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

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

Significant Deficiencies (continued)

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: Because of this finding, we have implemented new controls over voided transactions so as to avoid any inconsistencies in the future.

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

Significant Deficiencies and Management's Response (Prior Year)

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: This finding continues to be corrected. Reconciliation of cost books continues in conjunction with assistance from the Controller's Office. We have closed all but two of the court-ordered escrow accounts so as to better manage total escrow money. We have also paid a good amount of escrow money out in 2018 while also transferring funds pursuant to court order to the Commonwealth of Pennsylvania.

Status: This issue remained a Significant Deficiency for Audit Year 2018.

2. Lack of Controls over Manual Receipts

Condition: There was a significant lack of internal controls over manual receipts observed by Internal Audit for Audit Year 2017. 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 2017 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 manual receipt information was then correctly entered into the CMS System. For Audit Year 2017, there was also a box of manual receipts stored in the vault where any staff member could access them during the day.

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

Significant Deficiencies (Prior Year) (continued)

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. NOTE: Controls over Manual Receipts began to be updated at the end of 2017 when the 2016 Audit brought to light the concerns over controls, but the lack of controls for the majority of 2017 remains a significant deficiency.

Management's Response: This finding has been corrected and should no longer be a significant deficiency.

Status: This issue is no longer a Significant Deficiency/Finding for Audit Year 2018.

3. Inconsistent Controls over Voided Transactions

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

- Lack of proper management approval initials (6 receipts in the sample)
- No replacement receipt attached (4 receipts in the sample)
- No original receipt was attached (4 receipt in the sample)
- No written reason for the void (1 receipt in the sample)
- No copies of transaction retained (missing all receipts) (1 receipt in 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: This finding has been corrected and should no longer be a significant deficiency.

Status: This issue remained a Significant Deficiency for Audit Year 2018.

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

Significant Deficiencies (Prior Year) (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 the account clerk or a member of management who is running the Daily Reconciliation Report. There were 5 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: This finding has been corrected and should no longer be a significant deficiency.

Status: This issue is no longer a Significant Deficiency/Finding for Audit Year 2018.

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: 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 Prior Year Audit Findings and Recommendations (continued)**

Significant Deficiencies (Prior Year) (continued)

Management's Response: This finding has been corrected and should no longer be a significant deficiency.

Status: This issue is no longer a Significant Deficiency/Finding for Audit Year 2018.

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: This finding has been corrected and should no longer be a significant deficiency.

Status: This issue is no longer a Significant Deficiency/Finding for Audit Year 2018.