



**County of Chester
Office of the Controller
Internal Audit Department**

**Audit Report
For the Years Ended
December 31, 2015 and 2014**

***County of Chester
Office of the Clerk of Courts
and the
Office of Adult Probation***

**Annual Financial Statement
Audit**

Norman MacQueen, Controller

COUNTY OF CHESTER
OFFICE OF THE CLERK OF COURTS / ADULT PROBATION
ANNUAL FINANCIAL STATEMENT AUDIT
AS OF DECEMBER 31, 2015 and 2014

Robin Marcello, Clerk of Courts
Office of the Clerk of Courts
Chester County Justice Center
201 W. Market Street, Suite 1400
West Chester, PA 19380

COUNTY OF CHESTER
OFFICE OF THE CLERK OF COURTS / ADULT PROBATION
FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

TABLE OF CONTENTS

INTERNAL AUDITOR’S REPORT	1
FINANCIAL STATEMENTS	
Statements of Assets and Liabilities – Cash Basis	3
Statements of Receipts, Disbursements and Cash Balances – Cash Basis	4
Notes to Financial Statements.....	11
SUPPLEMENTAL INFORMATION	
Schedules of County of Chester Revenues and Direct Expenditures (<i>Clerk</i>)	14
INTERNAL AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS.....	15
SUMMARY OF EXIT CONFERENCE	17



COUNTY OF CHESTER

OFFICE OF THE CONTROLLER

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NORMAN MACQUEEN
Controller

Internal Auditor's Report

Robin Marcello, Clerk of Courts
Chester County Justice Center
201 W. Market Street, Suite 1400
West Chester, PA 19380

Report on the Financial Statements

We have audited the accompanying financial statements of Office of the Clerk of Courts (*Clerk*), which comprises the statements of assets and liabilities arising from cash transactions as of December 31, 2015 and 2014, and the related statements of cash receipts, disbursements and cash balances for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements 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 statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to annually audit the accounts of every row office within the County and to report the results of such audits to the Chester County Commissioners, the Chester County Court of Common Pleas, the Auditor General of Pennsylvania, and to the governing body of each political subdivision which is entitled to receive funds collected on its behalf by the *Clerk*.

Our responsibility is to express an opinion on these financial statements 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 statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, 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 statements 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 principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of the *Clerk* as of December 31, 2015 and 2014, and its cash receipts, disbursements and cash balances for the years then ended in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are 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 Matter

In accordance with Government Auditing Standards, Internal Audit has also issued a separate report dated September 7, 2016, on our evaluation of the *Clerk'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 an audit performed in accordance with Government Auditing Standards and is to be read in conjunction with this report in considering the results of our audit.



Norman MacQueen
Controller

September 7, 2016

COUNTY OF CHESTER

OFFICE OF THE CLERK OF COURTS / ADULT PROBATION

STATEMENTS OF ASSETS AND LIABILITIES – CASH BASIS

DECEMBER 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>Assets</u>		
Cash - CPCMS Accounts	\$ 2,009,172 *	\$ 2,513,711
Cash - Automation Fund	222,074	219,122
Cash - Bail Bondsman Accounts	150,000	150,000
Cash - Legacy Summary Appeal/Bail Account	19,442	31,902
Cash - Clerk of Courts Change Funds	300	300
Cash - Adult Probation Change Funds	<u>200</u>	<u>200</u>
Total Assets	<u><u>\$ 2,401,188</u></u>	<u><u>\$ 2,915,235</u></u>

<u>Liabilities</u>		
Due to Individuals - Clerk/APO	\$ 1,587,640	\$ 2,035,656
Due to Restricted Funds - Clerk/APO	224,031	220,889
Due to County - APO	212,661	243,756
Due to Bail Agents - Clerk	150,000	150,000
Due to Commonwealth of PA - Clerk/APO	140,931	167,939
Due to DUI Program - APO	35,743	35,565
Due to County - Clerk	27,527	27,109
Due to Municipalities - APO	22,155	33,821
Due to County - Change Funds	<u>500</u>	<u>500</u>
Total Liabilities	<u><u>\$ 2,401,188</u></u>	<u><u>\$ 2,915,235</u></u>

* Filing Fee	\$ 7,862
Bail Escrow	868,301
Summary Appeal	28,914
Fines, Costs and Restitution	<u>1,104,095</u>
	<u><u>\$2,009,172</u></u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF CHESTER

OFFICE OF THE CLERK OF COURTS / ADULT PROBATION

STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CASH BALANCES – CASH BASIS
FILING FEE ACCOUNT

FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>Receipts</u>		
Filing Fees	\$ 87,504	\$ -
Total Receipts	87,504	-
<u>Disbursements</u>		
Filing Fees	86,316	-
Total Disbursements	86,316	-
Cash Increase (Decrease)	1,188	-
Cash, Beginning of Year	6,674	-
Cash, End of Year	<u>\$ 7,862</u>	<u>\$ -</u>

Note: For the above statement, receipts could not be broken out in previous years, this year Internal Audit could break out receipts due to a new receipt report. Internal Audit has decided to complete a statement of receipts, disbursements and cash balance for each account.

The accompanying notes are an integral part of these financial statements.

COUNTY OF CHESTER

OFFICE OF THE CLERK OF COURTS / ADULT PROBATION

STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CASH BALANCES – CASH BASIS
BAIL ESCROW ACCOUNT

FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>Receipts</u>		
Bail Escrow	\$ 903,502	\$ -
Total Receipts	903,502	-
<u>Disbursements</u>		
Bail Escrow	1,282,876	-
Total Disbursements	1,282,876	-
Cash Increase (Decrease)	(379,374)	-
Cash, Beginning of Year	1,247,675	-
Cash, End of Year	<u>\$ 868,301</u>	<u>\$ -</u>

Note: For the above statement, receipts could not be broken out in previous years, this year Internal Audit could break out receipts due to a new receipt report. Internal Audit has decided to complete a statement of receipts, disbursements and cash balance for each account.

The accompanying notes are an integral part of these financial statements.

COUNTY OF CHESTER

OFFICE OF THE CLERK OF COURTS / ADULT PROBATION

STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CASH BALANCES – CASH BASIS
SUMMARY APPEAL ACCOUNT

FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>Receipts</u>		
Summary Appeal	\$ 78,425	\$ -
Total Receipts	78,425	-
<u>Disbursements</u>		
Summary Appeal	89,852	-
Total Disbursements	89,852	-
Cash Increase (Decrease)	(11,427)	-
Cash, Beginning of Year	40,341	-
Cash, End of Year	<u>\$ 28,914</u>	<u>\$ -</u>

Note: For the above statement, receipts could not be broken out in previous years, this year Internal Audit could break out receipts due to a new receipt report. Internal Audit has decided to complete a statement of receipts, disbursements and cash balance for each account.

The accompanying notes are an integral part of these financial statements.

COUNTY OF CHESTER

OFFICE OF THE CLERK OF COURTS / ADULT PROBATION

STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CASH BALANCES – CASH BASIS
FINES, COSTS, RESTITUTION ACCOUNT

FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>Receipts</u>		
Fines, Costs and Restitution	\$ 6,898,387	\$ -
Total Receipts	6,898,387	-
<u>Disbursements</u>		
Fines, Costs and Restitution	7,013,311	-
Total Disbursements	7,013,311	-
Cash Increase (Decrease)	(114,924)	-
Cash, Beginning of Year	1,219,019	-
Cash, End of Year	<u>\$ 1,104,095</u>	<u>\$ -</u>

Note: For the above statement, receipts could not be broken out in previous years, this year Internal Audit could break out receipts due to a new receipt report. Internal Audit has decided to complete a statement of receipts, disbursements and cash balance for each account.

The accompanying notes are an integral part of these financial statements.

COUNTY OF CHESTER

OFFICE OF THE CLERK OF COURTS / ADULT PROBATION

STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CASH BALANCES – CASH BASIS
AUTOMATION FUND ACCOUNT

FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>Receipts</u>		
Automation Fees	\$ 22,626	\$ 22,649
Interest	<u>338</u>	<u>382</u>
Total Receipts	22,964	23,031
<u>Disbursements</u>		
Automation Expenses	<u>20,012</u>	<u>18,325</u>
Total Disbursements	<u>20,012</u>	<u>18,325</u>
Cash Increase (Decrease)	2,952	4,706
Cash, Beginning of Year	<u>219,122</u>	<u>214,416</u>
Cash, End of Year	<u>\$ 222,074</u>	<u>\$ 219,122</u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF CHESTER
OFFICE OF THE CLERK OF COURTS / ADULT PROBATION
STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CASH BALANCES – CASH BASIS
BAIL BONDSMAN ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>Receipts</u>		
Initial Deposit	\$ -	\$ 25,000
Total Receipts	-	25,000
<u>Disbursements</u>		
Total Disbursements	-	-
Cash Increase (Decrease)	-	25,000
Cash, Beginning of Year	150,000	125,000
Cash, End of Year	\$ 150,000	\$ 150,000

The accompanying notes are an integral part of these financial statements.

COUNTY OF CHESTER

OFFICE OF THE CLERK OF COURTS / ADULT PROBATION

STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CASH BALANCES – CASH BASIS
LEGACY SUMMARY APPEAL / BAIL ESCROW ACCOUNT

FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>Receipts</u>		
	\$ -	\$ -
	_____	_____
Total Receipts	-	-
 <u>Disbursements</u>		
Fines and Costs	12,170	-
Escheats	290	50
Bail Refunds	-	180
	_____	_____
Total Disbursements	12,460	230
	_____	_____
Cash Increase (Decrease)	(12,460)	(230)
Cash, Beginning of Year	31,902	32,132
	_____	_____
Cash, End of Year	\$ 19,442	\$ 31,902
	_____	_____

The accompanying notes are an integral part of these financial statements.

COUNTY OF CHESTER
OFFICE OF THE CLERK OF COURTS / ADULT PROBATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

Note 1 - Summary of Significant Accounting Policies

Background and Reporting Entity

The audited financial statements of the *Clerk* include only those transactions handled directly by the office. The transactions include the collection of various filing fees and bail, and the disbursement of funds to the Commonwealth, the County of Chester, and the citizens the office represents. The *Clerk* holds funds for each individual who posts bail on a criminal case. Once the full and final disposition on a case has been reached, the surety must make a request to have the bail returned to him/her. Once a request has been made, bail can be released from the *Clerk* thirty-five (35) days after the full and final disposition. A portion of the bail posted is passed on to the County in the form of a commission. From January 1, 1995 through August 8, 1995, the County charged a 20% commission on all percentage cash bail received. Since August 9, 1995, a 40% commission has been charged on all percentage cash bail. In the case of straight bail, \$30 commission is charged on the first \$1,000, and \$10 on every \$1,000 thereafter. The County also receives filing fees as well as forfeited bail funds. The Commonwealth receives a portion of the forfeited bail funds relating to DUI cases.

The actual operating expenses of the *Clerk* are paid by the County of Chester. These costs include the salary 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 Balances.

Effective July 2003, in compliance with Rules of Criminal Procedure 462 (H) amended February 2003, the *Clerk* receives all monies from summary cases which are being appealed at the district court level and deposits them into a newly established Summary Appeal Escrow account. Prior to this amendment, all funds were held by the district court.

Effective August 2003, the Court approved one surety/fidelity company, Lexington National, to act as surety in Chester County. Surety companies on Chester County's approved list are required by Chester County Rule of Criminal Procedure 531(A).5(iii) to post and maintain as security with the *Clerk* the sum of \$25,000. The *Clerk* holds this security in a separate non-interest bearing escrow account for the approved surety/fidelity company.

Effective April 2011, the Court approved a second surety/fidelity company to act as surety in Chester County. The company, Roche Surety, has posted and will maintain the sum of \$25,000 as security with the *Clerk*. The *Clerk* will hold this security in a separate non-interest bearing escrow account.

COUNTY OF CHESTER
OFFICE OF THE CLERK OF COURTS / ADULT PROBATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

Note 1 - Summary of Significant Accounting Principles (continued)

Background and Reporting Entity (continued)

Effective July 2012, the Court approved a third surety/fidelity company to act as surety in Chester County. The company, Banker's Insurance, has posted and will maintain the sum of \$25,000 as security with the *Clerk*. The *Clerk* will hold this security in a separate non-interest bearing escrow account.

Effective September 2012, the Court approved two additional surety/fidelity companies in Chester County. The companies, Sun Surety and Seneca Insurance have each posted and agreed to maintain \$25,000 with the *Clerk*. The *Clerk* will hold these securities in separate non-interest bearing escrow accounts.

Effective December 2014, the Court approved a sixth surety/fidelity company to act as surety in Chester County. The company, American Contractor's Indemnity, has posted and will maintain the sum of \$25,000 as security with the *Clerk*. The *Clerk* will hold this security in a separate non-interest bearing escrow account.

Basis of Accounting

The books and records of the *Clerk* are maintained on the cash basis of accounting. Consequently, receipts are recognized when received rather than when assessed or otherwise due, and disbursements are recognized when paid rather than when the obligation is incurred. Accordingly, the accompanying statements do not present the assets, liabilities, receipts, disbursements, and cash balances in accordance with generally accepted accounting principles.

Note 2 - Legal Matters

Our audit disclosed no pending litigation involving the *Clerk*, or its Clerk of Courts (Robin Marcello) for the year ended December 31, 2015.

Note 3 – Common Pleas Case Management System

The Administrative Office of Pennsylvania Courts (*AOPC*) initiated a project in 2001 to develop and implement a statewide Common Pleas Court Case Management System (*CPCMS*). *CPCMS* is now installed in the Commonwealth's sixty judicial districts in sixty-seven counties; *CPCMS* was implemented in Chester County February 6, 2006.

COUNTY OF CHESTER
OFFICE OF THE CLERK OF COURTS / ADULT PROBATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

Note 3 – Common Pleas Case Management System (continued)

CPCMS provides case management tracking for the offices of the Clerk of Courts, Court Administration and Common Pleas judges and their staffs. Additional user groups include county fiscal offices, probation departments and limited write access for criminal justice-related offices (District Attorney, Sheriff and Prison) connected to a county network.

All case-related funds and financial transactions receipted after the implementation of *CPCMS* must be maintained in and tracked through *CPCMS*; the Clerk of Courts (*Clerk*) was required to establish new bank accounts for this purpose.

CPCMS requires that the records and funds for transactions for all fines, costs and restitution be maintained in one bank account “belonging to” the *Clerk*, regardless of whether one or more offices or departments actually receipt or disburse all or part of those funds, and that all transactions for that account to be recorded in *CPCMS*. Prior to *CPCMS*, the majority of fines, costs and restitution was collected through payments made to Chester County Adult Probation (*APO*).

Some disbursements were completed by the *Clerk*; however, most disbursements of fines, costs and restitution were prepared using vouchers completed by the *APO* for disbursement by the County. The *Clerk* established the required new “Clerk of Courts / Adult Probation” bank account and consulted with *AOPC* and with Chester County *APO*, Court Administration, DCIS, Controller and Finance to establish procedures to best implement and administer the new joint bank account which contains co-mingled funds receipted and disbursed according to *CPCMS* requirements (these funds are now disbursed through the Chester County Controller or Treasurer). As a result, the financial statements of each office must be combined into one set of financial statements in respect to the shared bank account (the Fines, Costs and Restitution account).

Note 4 – Automation Fee Fund

The *Clerk* established a new fund in 2004 pursuant to the Pennsylvania Clerk of Courts Fee Bill; 42 PCS 1725.4. In addition to any other fee authorized by law, an automation fee of not more than \$5 may be charged and collected by the *Clerk* for the initiation of any action or legal proceeding. The automation fee shall be deposited into a special Clerk of Courts automation fund established in each county. Moneys in the special fund shall be used solely for the purpose of automation and continued automation update of the Office of the Clerk of Courts. Until 2007, the *Clerk* maintained this fund in a Deferred Revenue account on the County general ledger. In September 2007 the *Clerk* opened a separate bank account to maintain these funds.

SUPPLEMENTAL INFORMATION

COUNTY OF CHESTER

OFFICE OF THE CLERK OF COURTS

**SCHEDULE OF COUNTY OF CHESTER
REVENUES AND DIRECT EXPENDITURES**

**FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014
(Unaudited)**

	<u>2015</u>	<u>2014</u>
<u>Revenues</u>		
County Fines and Costs	\$ 349,366	\$ 326,929
<u>Direct Expenditures</u>		
Salaries and Wages	\$ 878,478	\$ 866,912
Fringe Benefits	332,267	357,360
Postage	18,820	16,845
Telephone and Computer Charges	12,340	11,772
Equipment Repairs and Maintenance	11,832	6,335
Legal Services	8,000	8,000
Office Supplies	7,757	10,087
Equipment - Non-Capitalized	6,097	4,643
Other Professional Services	3,363	-
Training and Staff Development	2,128	1,243
Books and Periodicals	1,049	1,129
Reproduction Services	1,025	1,290
Dues and Memberships	600	600
Total Direct Expenditures	<u>\$ 1,283,756</u>	<u>\$ 1,286,216</u>



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NORMAN MACQUEEN
Controller

September 7, 2016

Robin Marcello, Clerk of Courts
Chester County Justice Center
201 W. Market Street, Suite 1400
West Chester, PA 19380

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

In planning our audit of the financial statements of Office of the Clerk of Courts (*Clerk*) as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the *Clerk's* internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the *Clerk's* internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the *Clerk's* internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all significant deficiencies or material weaknesses have been identified.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the *Clerk's* financial statements will not be prevented, or detected and corrected on a timely basis.

As part of obtaining reasonable assurance about whether the *Clerk's* financial statements are 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 on 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*.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

We noted a certain matter that we reported to management of the *Clerk* in a separate letter dated September 7, 2016, regarding refunds.

This report is intended for the information of the Chester County Commissioners, the Chester County Court of Common Pleas, the Auditor General of Pennsylvania, and all other political affiliates served by the *Clerk*. This report is, however, a matter of public record, and its distribution is not limited.



Norman MacQueen
Controller

COUNTY OF CHESTER
OFFICE OF THE CLERK OF COURTS / ADULT PROBATION
SUMMARY OF EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2015

An exit conference was not warranted for the audit of the Office of the Clerk of Courts. The Clerk of Courts, Robin Marcello has accepted the report as presented.