



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

**Audit Report  
For the Year Ended  
December 31, 2011**

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*Office of the Prothonotary*

Annual Financial Statement  
Audit

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Valentino F. DiGiorgio, III, Controller

**COUNTY OF CHESTER**  
**OFFICE OF THE PROTHONOTARY**  
**ANNUAL FINANCIAL STATEMENT AUDIT**  
**FOR THE YEAR ENDED DECEMBER, 31, 2011**

**Bryan Walters, Prothonotary**  
**Office of the Prothonotary**  
**Justice Center**  
**201 W. Market St., Suite 1425**  
**West Chester, PA 19380**

**COUNTY OF CHESTER**  
**OFFICE OF THE PROTHONOTARY**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

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# COUNTY OF CHESTER OFFICE OF THE CONTROLLER

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VALENTINO F. DIGIORGIO, III  
Controller

March 29, 2012

Bryan Walters  
Office of the Prothonotary  
Justice Center  
201 W. Market St., Suite 1425  
West Chester, Pennsylvania 19380

Internal Audit has audited the accounts of the *Office of the Prothonotary (Prothonotary)* as of December 31, 2011, and has compiled the attached Statement of Assets and Liabilities and the related Statements of Cash Receipts, Disbursements, and Cash Balances for the year then ended. It is Internal Audit's responsibility to audit annually the accounts of any office receiving money for use by the Commonwealth of Pennsylvania and to report the results of such audits to the Chester County Commissioners and the Chester County Court of Common Pleas. It is management's responsibility to maintain, update, and reconcile these accounts on a continuous basis.

Our audit was conducted in accordance with generally accepted auditing standards and the *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit in a manner that will provide *reasonable assurance* that the accounts are free of material misstatement and that amounts are properly supported and approved.

As described in Note 1, 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. Accordingly, the statements referred to above are not intended to present the financial position and results of operations of the *Prothonotary* in conformity with generally accepted accounting principles.

In our opinion, the accounts of the *Prothonotary* are stated fairly as of December 31, 2011. Consequently, the corresponding financial statements prepared by Internal Audit present fairly, in all material respects, the assets and liabilities of the *Prothonotary* as of December 31, 2011 and the cash receipts, disbursements, and cash balances for the year then ended.

In accordance with *Government Auditing Standards*, Internal Audit has also issued a report dated March 29, 2012 on our evaluation 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 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.

Valentino F. DiGiorgio, III  
Controller

**COUNTY OF CHESTER**  
**OFFICE OF THE PROTHONOTARY**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**DECEMBER 31, 2011**

**ASSETS**

Cash – Operating Account	\$ 165,913
Cash – Escrow Account	1,205,900
Cash – Automation Fee Account	613,015
Cash – Change, Petty Cash, and Clerk Change Funds	<u>390</u>
Total Assets	<u>\$ 1,985,218</u>

**LIABILITIES**

County of Chester – Fees and Interest	\$ 136,960
Commonwealth of Pennsylvania– Fees	368
Prothonotary Automation Fee	613,015
Children’s Trust Fund Fees	850
Judicial Computer Project Fees	17,648
Master Fees	7,430
Custody Conciliation Fees	2,440
Act 119 Custody Fees	222
Escrow Deposits	1,205,895
Due to County – Change, Petty Cash, and Clerk Change Funds	<u>390</u>
Total Liabilities	<u>\$ 1,985,218</u>

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

**COUNTY OF CHESTER**  
**OFFICE OF THE PROTHONOTARY**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CASH BALANCE**  
**OPERATING ACCOUNT**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

Receipts	
County of Chester – Fees and Interest	\$ 1,664,389
Commonwealth of Pennsylvania– Fees	8,500
Act 119 Custody Fees	3,618
Children’s Trust Fund Fees	12,780
Judicial Computer Project Fees	230,393
Master Fees	131,899
Custody Conciliation Fees	37,620
Draw Down Account Deposits	59,084
Automation Fees	77,700
PFA – Sheriff’s Department	80
Miscellaneous Receipts(Suspense)	<u>6,956</u>
Total Receipts	<u>2,233,019</u>
Disbursements	
County of Chester – Fees	1,846,393
Commonwealth – Fees	254,412
Act 119 Custody Fees	3,586
Automation Fees	77,500
PFA – Sheriff’s Department	100
Draw Down Account Distributions	58,798
Miscellaneous Distributions(Suspense)	<u>6,956</u>
Total Disbursements	<u>2,247,745</u>
Cash Increase/(Decrease)	(14,726)
Beginning Balance	<u>180,639</u>
Ending Balance	<u>\$ 165,913</u>

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

**COUNTY OF CHESTER**  
**OFFICE OF THE PROTHONOTARY**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CASH BALANCE**  
**ESCROW ACCOUNT**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

Receipts	
Escrow Deposits	\$ 634,846
Interest Earned	<u>46</u>
Total Receipts	<u>634,892</u>
Disbursements	
Escrow Payouts	365,539
Escrow Interest	<u>52</u>
Total Disbursements	<u>365,591</u>
Cash Increase/(Decrease)	269,301
Beginning Balance	<u>936,599</u>
Ending Balance	<u>\$ 1,205,900</u>

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

**COUNTY OF CHESTER**  
**OFFICE OF THE PROTHONOTARY**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CASH BALANCE**  
**AUTOMATION FEE ACCOUNT**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

Receipts		
Automation Fee Deposits	\$	77,417
Automation Fund Interest		<u>3,417</u>
Total Receipts		<u>80,834</u>
Disbursements		
Salary Reimbursement		39,052
Annual License – File Trail		<u>2,800</u>
Total Disbursements		<u>41,852</u>
Cash Increase/(Decrease)		38,982
Beginning Balance		<u>574,033</u>
Ending Balance		<u><u>\$ 613,015</u></u>

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

**COUNTY OF CHESTER**  
**OFFICE OF THE PROTHONOTARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

*Note 1 - Summary of Significant Accounting Policies*

**Background and Reporting Entity**

The *Prothonotary* acts as a conduit for the Commonwealth of Pennsylvania, the County of Chester, related political subdivisions, and the citizens it serves. Consequently, the *Prothonotary's* cash balance at any point in time represents undisbursed funds to one (or all) of these parties with the exception of the Prothonotary Automation Fund, as explained below. For financial statement purposes, these undisbursed funds are included as a liability of the *Prothonotary*.

The actual operating expenses of the *Prothonotary* are paid by the County of Chester. 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 *Prothonotary* 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.

**Prothonotary Automation Fee Fund**

The *Prothonotary* established a new fund in May 2003, as permitted by the Commonwealth. This fund is under the sole custody of the *Prothonotary*. Pennsylvania House Bill No. 1715, Session of 1997, authorized the collection of a fee not to exceed \$5.00 for the initiation of any action or legal proceeding. Funds collected are to be deposited into a special prothonotary automation fee fund, and are to be used solely for the purpose of automation and continued automation update of the *Prothonotary*. The office maintains a separate checking account for these funds, and the funds are designated on the balance sheet in a separate liability account. Although the funds are for use at the sole discretion of the Prothonotary for purposes of automating the office, County procurement procedures must still be adhered to when making purchases with the funds in this special account.

**COUNTY OF CHESTER**  
**OFFICE OF THE PROTHONOTARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

*Note 1 - Summary of Significant Accounting Policies (continued)*

**Related Party Transaction**

Under Pennsylvania Law, the *Prothonotary* functions as a collection agent and depository for the County of Chester, the Commonwealth of Pennsylvania's Department of Revenue, and the Administrative Office of Pennsylvania Courts. Additionally, the *Prothonotary* functions as an escrow agent for litigants pursuant to a court order or the rules of court. Once a case has been settled, if interest has been earned on deposited funds, the Court of Common Pleas instructs the *Prothonotary* via court order whether the County is to retain the interest or if the interest is to be paid out to a party of the case. If interest is to be paid out, a poundage fee of 3% on the first \$1,000, and 1% on the remaining balance is charged on the principal amount, and is payable to the County. The exception to this directive is with landlord/tenant cases; by law, the awarding party must always receive any interest earned on funds deposited with the *Prothonotary*, and poundage is never deducted from those funds.

*Note 2 - Legal Matters*

Our audit disclosed no pending litigation that would affect the financial statements involving the Office of the Prothonotary or its Prothonotary (Bryan Walters) for the year ended December 31, 2011.



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VALENTINO F. DIGIORGIO, III  
Controller

March 29, 2012

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

In planning our audit of the financial statements of the Office of the Prothonotary (*Prothonotary*) as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the *Prothonotary'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 *Prothonotary's* internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the *Prothonotary'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 *Prothonotary's* financial statements will not be prevented, or detected and corrected on a timely basis.

As part of obtaining reasonable assurance about whether the *Prothonotary'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**

Our audit disclosed a material weakness in regards to reconciliation that, in our opinion, could pose a significant risk to the *Prothonotary* and the County of Chester. This material weakness is included at the end of this report.

We also noted certain matters that we reported to management of the *Prothonotary* in a separate letter dated March 29, 2012. They included the following:

- Recording/Recordkeeping with respect to system entries and cash disbursements

This report is intended for the information of the Chester County Commissioners and the Chester County Court of Common Pleas. This report is, however, a matter of public record, and its distribution is not limited.



Valentino F. DiGiorgio III  
Controller

**COUNTY OF CHESTER**  
**OFFICE OF THE PROTHONOTARY**  
**FINDING AND RECOMMENDATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

**RECONCILIATION**

The escrow bank account is not properly reconciled every month. This was a finding in the management letter last year. The account has not been properly reconciled since the office went on the CourtView system in 2008. Internal Audit instructed the Prothonotary accountant on the proper procedures after the audits for year-end 2008 and 2009, and when it was still not properly reconciled for the 12/31/10 audit, Internal Audit included it in the management letter as an internal control finding. Although instruction was provided by Internal Audit after the 12/31/10 audit, the escrow bank account is still not properly reconciled.

**Recommendation**

Again, Internal Audit recommends that the Prothonotary accountant perform a proper and accurate three-way bank reconciliation for the escrow account from this month forward. Internal Audit will once again provide a training session, if needed.

**Auditee Response**

**COUNTY OF CHESTER**  
**OFFICE OF THE PROTHONOTARY**  
**SUMMARY OF EXIT CONFERENCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

On March 29, 2012, Prothonotary Bryan Walters returned the Representation Letter to Internal Audit which indicates that an exit conference was waived for this year. All findings were discussed at length at the Review Meeting held on March 1, 2012. The Prothonotary has accepted the report and management letter as presented.