

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



*Audit Report  
Office of Adult Probation  
For the year ended December 31, 2006*

**Valentino F. DiGiorgio, III, Controller**

**COUNTY OF CHESTER**  
**AUDIT OF THE OFFICE OF ADULT PROBATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

**Christopher Murphy, Director**  
**Office of Adult Probation**  
**Chester County Courthouse**  
**West Chester, PA 19380**

**COUNTY OF CHESTER**  
**AUDIT OF THE OFFICE OF ADULT PROBATION**

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# COUNTY OF CHESTER OFFICE OF THE CONTROLLER

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VALENTINO F. DIGIORGIO, III  
Controller

April 24, 2007

Chester County Adult Probation Office  
Chester County Courthouse  
West Chester, PA 19382

Internal Audit has audited the accounts of the *Adult Probation Office (APO)* as of December 31, 2006, 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 *APO* in conformity with generally accepted accounting principles.

In our opinion, accounts maintained by the *APO* are stated fairly as of December 31, 2006. Consequently, the corresponding financial statements prepared by Internal Audit present fairly, in all material respects, the assets and liabilities of the *APO* as of December 31, 2006, 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 April 24, 2007, which provides our evaluation of the *APO'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 should be read in conjunction with this report in considering the results of our audit.

Valentino F. DiGiorgio, III  
Controller

**COUNTY OF CHESTER**  
**OFFICE OF ADULT PROBATION / CLERK OF COURTS**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**DECEMBER 31, 2006**

**Assets**

Cash - Clerk General Account - CPCMS	\$ 4,154	
Cash - Clerk Summary Appeal Escrow - CPCMS	32,839	
Cash - Clerk Bail Escrow Account - CPCMS	761,905	
Cash - Clerk / APO Costs, Fines & Restitution Account - CPCMS	<u>604,725</u>	
Total Cash from CPCMS Accounts		\$ 1,403,623
Cash - Clerk Summary Appeal Escrow - Legacy		11,743
Cash - Clerk Bail Bondsman Account - Legacy		25,000
Cash- Clerk Bail Escrow Account - Legacy		450,914
Cash - Clerk Change Fund		300
Cash - APO Change Fund		200
Due From County - Clerk Automation Fund		<u>49,868</u>
Total Assets		<u><u>\$ 1,941,648</u></u>

**Liabilities**

Undisbursed Funds:		
Due to County - Clerk		\$ 22,663
Due to County - APO		224,534
Due to Commonwealth of PA - Clerk / APO		126,860
Due to Municipalities - Clerk / APO		33,317
Due to Bail Agent - Clerk		25,000
Due to Clerk of Courts - Automation Fund		49,868
Due to Individuals - APO		<u>1,458,906</u>
Total Undisbursed Funds		1,941,148
Due to County - Clerk Change Fund		300
Due to County - APO Change Fund		<u>200</u>
Total Liabilities		<u><u>\$ 1,941,648</u></u>

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

**COUNTY OF CHESTER**

**OFFICE OF ADULT PROBATION / CLERK OF COURTS**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CASH BALANCE**  
*CPCMS ACCOUNTS*

**YEAR ENDED DECEMBER 31, 2006**

Cash Balance, January 1, 2006		\$	-
Receipts:	6,502,817		
Disbursements:			
Costs, Fines & Restitution	4,559,822		
Filing Fees	50,608		
Bail Escrow	434,979		
Summary Appeal	<u>53,785</u>		
Total Disbursements	<u>5,099,194</u>		
Excess of receipts over disbursements			<u>1,403,623</u>
Cash Balance, December 31, 2006		\$	<u><u>1,403,623</u></u>

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

**COUNTY OF CHESTER**

**OFFICE OF ADULT PROBATION**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

***Note 1 - Summary of Significant Accounting Policies***

**Background and Reporting Entity**

The APO provides supervision of offenders and facilitates offender rehabilitation. Additionally, the department compiles investigative reports that assist the Court in making sentencing and parole decisions.

There are eight programs under which the APO provides services:

*General Supervision* – This program includes the Probation Officers assigned to supervise general probation, parole or Accelerated Rehabilitative Disposition (ARD) cases.

*Pre-Sentence Investigation* – Responsible for completing Pre-Sentence Investigation (PSI) reports for the Court.

*Collections* – Responsible to collect fines, fees, costs and restitution ordered by the Court.

*Intensive Supervision Programs* – Provides intensive supervision services to a variety of high risk, high need clients including sex offenders, mental health offenders, repeat domestic batterers, and chronic drug and alcohol abusers.

*Intermediate Punishment* – Provides electronic monitoring and intensive supervision services to offenders approved for the Intermediate Punishment Program by the Court. Provides a safe alternative for non-violent prison bound offenders.

*Drug Court* – Provides an alternative for those convicted of non-violent drug offenses including intensive supervision, drug testing, treatment and non-traditional court intervention to stop drug abuse.

*Community Service* – Provides a coordinated and supervised approach to the completion of community service by offenders as ordered by the Court.

*Bilingual Supervision* – This program includes the supervision of Spanish speaking clients ordered to participate in any of the four major programs.

**COUNTY OF CHESTER**

**OFFICE OF ADULT PROBATION**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

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

The actual operating expenses of the *APO* 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.

**Basis of Accounting**

The books and records of the *APO* 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 *APO* or its Director (Larry Scherff) for the year ended December 31, 2006.

***Note 3 – CPCMS 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. *CPCMS* provides case management tracking for the offices of the Clerks of Court, 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.

**COUNTY OF CHESTER**

**OFFICE OF ADULT PROBATION**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

***Note 3 – CPCMS System (continued)***

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 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 done by the Clerk; however, most disbursements of fines, costs and restitution were done by vouchers prepared by 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 (none of 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).



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VALENTINO F. DIGIORGIO, III  
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April 24, 2007

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## **Report on Compliance and on Internal Controls**

In accordance with Government Auditing Standards, the scope of our audit included an examination and evaluation of the adequacy and effectiveness of the *APO's* system of internal control and the *APO's* quality of performance in carrying out its assigned responsibilities. The primary objectives of internal controls include the following:

- Compliance with policies, procedures, laws and regulations
- Accomplishment of goals
- Reliability and integrity of information
- Economical and efficient use of resources
- Safeguarding of assets.

In addition, generally accepted auditing standards (GAAS) require that auditors obtain an understanding of the internal control process and assess control risk in operational audits. For an operational audit, internal control is defined as a process that is designed to provide reasonable assurance that objectives regarding the effectiveness and efficiency of operations and the compliance with applicable laws and regulations are achieved. The internal control process consists of five components. They are the *control environment*, *risk assessment*, *information and communication*, *monitoring*, and *control activities*.

The *control environment* sets the tone of the organization and is the foundation for all other components of internal control. The collective effect of various important factors defines the *control environment*, which in turn establishes, enhances, or mitigates the effectiveness of policies and procedures. These important factors include the entity's organizational structure and methods of assigning authority and responsibility.

The *risk assessment* is the entity's identification and analysis of relevant risks to the achievement of its objectives, and forms a basis for determining how the risks should be managed.

*Information and communication* are the identification, capture, and exchange of information in a form and time frame that enables people to carry out their responsibilities.

*Monitoring* is a process that assesses the quality of internal control performance over time.

**Report on Compliance and on Internal Controls (continued)**

*Control activities* are the policies and procedures that help ensure management directives are carried out. These policies and procedures may be classified as:

- Authorization
- Segregation of duties
- Documentation
- Physical safeguards
- Independent checks and balances.

Our audit disclosed several significant weaknesses in the internal control structure that, in our opinion, pose a significant risk to the *APO* and/or to the County of Chester:

Other findings of a lesser significance in the areas of compliance specifically:

- Compliance with policies and procedures with respect to escheats, cash disbursements, and voided transactions

have been addressed under separate cover with the management of the *APO* for its action and/or response. Copies of the Management Letter will be made available upon request.

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



Valentino F. DiGiorgio, III  
Controller

**COUNTY OF CHESTER**  
**CHESTER COUNTY ADULT PROBATION OFFICE / CLERK OF COURTS**  
**FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

**I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS**

RECORDING / RECORDKEEPING

Finding 1: Manual Receipts (Clerk and APO)

In 3 instances, all three parts of a manual receipt that had been voided were not attached to the manual receipt book.

In 2 instances, the “yellow” or department manual receipt copy was not attached to the applicable day’s work.

Recommendation

Internal Audit would like to emphasize the importance of retaining all receipt and disbursement source documents in order to provide complete and accurate accounting records.

Auditee Response

*See Summary Management Response included at the end of this document.*

Finding 2: Voided Disbursements (Clerk and APO)

“Documentation of” and “controls over” voided disbursements must be improved and strengthened. The following weaknesses were noted out of a sample of 30 items tested:

- In 23 instances, the reason for the void was not indicated on the check stub or check copy.
- In 28 instances, there was no indication that the check was replaced and reissued.
- In 24 instances, the signature line on the original check was not properly removed or defaced.
- In 2 instances, the check stub or office copy of the check was not labeled “void”.
- In 1 instance, the original check and/or copy of the check was not available for review.

**COUNTY OF CHESTER**  
**CHESTER COUNTY ADULT PROBATION OFFICE / CLERK OF COURTS**  
**FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDING DECEMBER 31, 2006**

**I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS**

RECORDING / RECORDKEEPING

Finding 2: Voided Disbursements (Clerk and APO) continued

Recommendation

Internal Audit would like to emphasize the need to properly cancel voided disbursements. At a minimum, the department should label the disbursement as “void”, remove or deface the signature line, document the reason for canceling the payment and reference any replacement.

Auditee Response

*See Summary Management Response included at the end of this document.*

**COUNTY OF CHESTER**  
**CHESTER COUNTY ADULT PROBATION OFFICE**  
**SUMMARY OF EXIT CONFERENCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

Due to the nature of the findings and recommendations, an exit conference was not warranted for the 2006 audit. Management of the Office of Adult Probation has chosen to accept the report as presented.