



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

**Audit Report
For the Years Ended
December 31, 2014 and 2013**

***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, 2014 and 2013

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
CLERK OF COURTS / ADULT PROBATION
FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013

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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
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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, 2014 and 2013, 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, 2014 and 2013, 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 8, 2015, 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 8, 2015

COUNTY OF CHESTER

CLERK OF COURTS / ADULT PROBATION

STATEMENTS OF ASSETS AND LIABILITIES – CASH BASIS

DECEMBER 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>Assets</u>		
Cash - CPCMS Accounts	\$ 2,513,711	\$ 2,865,304
Cash - Automation Fund	219,122	214,416
Cash - Bail Bondsman Accounts	150,000	125,000
Cash - Legacy Summary Appeal/Bail Account	31,902	32,132
Cash - Clerk of Courts Change Funds	300	300
Cash - Adult Probation Change Funds	200	200
	<hr/>	<hr/>
Total Assets	<u><u>\$ 2,915,235</u></u>	<u><u>\$ 3,237,352</u></u>
 <u>Liabilities</u>		
Due to Individuals - Clerk/APO	\$ 2,035,656	\$ 2,442,477
Due to County - APO	243,756	213,800
Due to Restricted Funds - Clerk/APO	220,889	216,129
Due to Commonwealth of PA - Clerk/APO	167,939	166,950
Due to Bail Agents - Clerk	150,000	125,000
Due to DUI Program - APO	35,565	31,463
Due to Municipalities - APO	33,821	23,793
Due to County - Clerk	27,109	17,240
Due to County - Change Funds	500	500
	<hr/>	<hr/>
Total Liabilities	<u><u>\$ 2,915,235</u></u>	<u><u>\$ 3,237,352</u></u>

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

COUNTY OF CHESTER

CLERK OF COURTS / ADULT PROBATION

STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CASH BALANCES – CASH BASIS
CPCMS ACCOUNTS

FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>Receipts</u>		
Total Receipts	\$ 8,134,363	\$ 9,012,221
<u>Disbursements</u>		
Fines, Costs & Restitution Account	7,203,979	7,543,634
Bail Escrow Account	1,104,068	1,055,818
Summary Appeal Account	94,986	64,803
Filing Fee Account	<u>82,923</u>	<u>80,357</u>
Total Disbursements	<u>8,485,956</u>	<u>8,744,612</u>
Cash Increase (Decrease)	(351,593)	267,609
Cash, Beginning of Year	<u>2,865,304</u>	<u>2,597,695</u>
Cash, End of Year	<u><u>\$ 2,513,711</u></u>	<u><u>\$ 2,865,304</u></u>

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

COUNTY OF CHESTER

CLERK OF COURTS / ADULT PROBATION

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

FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>Receipts</u>		
Automation Fees	\$ 22,649	\$ 24,863
Interest	382	675
	<hr/>	<hr/>
Total Receipts	23,031	25,538
 <u>Disbursements</u>		
Automation Expenses	18,325	7,954
Fees	-	49
	<hr/>	<hr/>
Total Disbursements	18,325	8,003
 Cash Increase	 4,706	 17,535
Cash, Beginning of Year	<hr/> 214,416	<hr/> 196,881
Cash, End of Year	<hr/> <hr/> \$ 219,122	<hr/> <hr/> \$ 214,416

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

COUNTY OF CHESTER

CLERK OF COURTS / ADULT PROBATION

**STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CASH BALANCES – CASH BASIS
BAIL BONDSMAN ACCOUNTS**

FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>Receipts</u>		
Initial Deposit	\$ 25,000	\$ -
	<hr/>	<hr/>
Total Receipts	25,000	-
<u>Disbursements</u>		
	<hr/>	<hr/>
Total Disbursements	-	-
Cash Increase	25,000	-
Cash, Beginning of Year	<hr/>	<hr/>
	125,000	125,000
Cash, End of Year	<u>\$ 150,000</u>	<u>\$ 125,000</u>

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

COUNTY OF CHESTER

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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>Receipts</u>		
	\$ -	\$ -
	<hr/>	<hr/>
Total Receipts	-	-
<u>Disbursements</u>		
Fines and Costs	-	300
Escheats	50	-
Bail Refunds	180	-
	<hr/>	<hr/>
Total Disbursements	230	300
	<hr/>	<hr/>
Cash Decrease	(230)	(300)
Cash, Beginning of Year	32,132	32,432
	<hr/>	<hr/>
Cash, End of Year	\$ 31,902	\$ 32,132
	<hr/> <hr/>	<hr/> <hr/>

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

COUNTY OF CHESTER
CLERK OF COURTS / ADULT PROBATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013

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, a 3% commission is charged on the first \$1,000, and 1% 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
CLERK OF COURTS / ADULT PROBATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013

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, 2014.

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

CLERK OF COURTS / ADULT PROBATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013

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

CLERK OF COURTS

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

**FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013
(Unaudited)**

	<u>2014</u>	<u>2013</u>
<u>Revenues</u>		
County Fines and Costs	\$ 326,929	\$ 413,586
<u>Direct Expenditures</u>		
Salaries and Wages	\$ 866,912	\$ 871,913
Fringe Benefits	357,360	372,748
Postage	16,845	18,867
Telephone and Computer Charges	11,772	13,474
Office Supplies	10,087	10,358
Legal Services	8,000	8,000
Equipment Repairs and Maintenance	6,335	6,591
Equipment - Non-Capitalized	4,643	-
Reproduction Services	1,290	2,555
Training and Staff Development	1,243	2,124
Books and Periodicals	1,129	1,174
Dues and Memberships	600	600
Office Equipment	-	12,298
Equipment Rental	-	1,338
	<hr/>	<hr/>
Total Direct Expenditures	<u>\$ 1,286,216</u>	<u>\$ 1,322,040</u>



COUNTY OF CHESTER OFFICE OF THE CONTROLLER

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NORMAN MACQUEEN
Controller

September 8, 2015

Robin Marcello, Clerk of Courts
Chester County Justice Center
201 W. Market Street, Suite 1400
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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 Office of the Clerk of Courts (*Clerk*) as of and for the year ended December 31, 2014, 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

Our audit disclosed no significant deficiencies or material weaknesses that, in our opinion, pose a significant risk to the *Clerk* or the County of Chester.

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
CLERK OF COURTS / ADULT PROBATION
SUMMARY OF EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2014

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.