



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

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

---

*Office of the Clerk of Courts*

Annual Financial Statement  
Audit

---

---

Valentino F. DiGiorgio, III, Controller

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

**Francis E. McElwaine, Clerk of Courts**  
**Office of the Clerk of Courts**  
**Chester County Justice Center**  
**1<sup>st</sup> Floor – Suite 1400**  
**West Chester, PA 19380**

**COUNTY OF CHESTER**  
**AUDIT OF THE OFFICE OF THE CLERK OF COURTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**TABLE OF CONTENTS**

AUDITOR’S REPORT .....	1
FINANCIAL STATEMENTS	
Statement of Assets and Liabilities .....	2
Statement of Receipts, Disbursements, and Cash Balance .....	3
Notes to Financial Statements.....	7
AUDITOR’S REPORT INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS.....	10
SUMMARY OF EXIT CONFERENCE .....	12



# COUNTY OF CHESTER OFFICE OF THE CONTROLLER

313 WEST MARKET STREET, SUITE 6302, PO BOX 2748, WEST CHESTER, PA 19380-0991  
TELEPHONE: (610) 344-6155 FAX: (610) 344-6750

VALENTINO F. DIGIORGIO, III  
Controller

October 25, 2012

Francis E. McElwaine, Clerk of Courts  
Office of the Clerk of Courts  
Chester County Justice Center  
West Chester, Pennsylvania

Internal Audit has audited the accounts of the *Office of the Clerk of Courts (Clerk)* in conjunction with the *Office of Adult Probation (APO)* 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 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 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 *Clerk* in conformity with generally accepted accounting principles.

In our opinion, accounts maintained by the *Clerk* 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 *Clerk* 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 October 25, 2012, which provides 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 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 THE CLERK OF COURTS / ADULT PROBATION**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**DECEMBER 31, 2011**

Assets

Cash - Clerk General Fee Account - CPCMS	\$ 3,588
Cash - Clerk Summary Appeal Escrow Account - CPCMS	21,397
Cash - Clerk Bail Escrow Account - CPCMS	1,029,526
Cash - Clerk / APO Costs, Fines & Restitution Account - CPCMS	<u>1,167,936</u>
Total Cash from CPCMS Accounts	2,222,447
Cash - Clerk Summary Appeal Escrow Account – Legacy	1,886
Cash - Clerk Bail Bondsman Escrow	50,000
Cash - Clerk Bail Escrow Account – Legacy	85,898
Cash - Automation Fund Certificate of Deposit (CD)	66,472
Cash - Automation Fund Account	<u>105,802</u>
Total Other Cash	310,058
Cash - Clerk of Courts Change Funds	300
Cash – APO Change Funds	<u>200</u>
Total Change Funds	<u>500</u>
Total Assets	<u>\$ 2,533,005</u>

Liabilities

Undisbursed Funds:	
Due to County - Clerk	\$ 16,293
Due to DUI Program - APO	36,240
Due to Municipalities – Clerk / APO	33,721
Due to Bail Bondsman - Clerk	50,000
Due to Commonwealth of PA- Clerk / APO	139,535
Due to County - APO	177,997
Due to Restricted Funds	173,251
Due to Individuals - Clerk / APO	1,905,468
Due to County – Clerk of Courts Change Funds	300
Due to County - APO Change Funds	<u>200</u>
Total Liabilities	<u>\$ 2,533,005</u>

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

**COUNTY OF CHESTER**  
**OFFICE OF THE CLERK OF COURTS / ADULT PROBATION**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH BALANCE**  
***CPCMS ACCOUNTS***  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

Receipts:	\$	7,627,233
Disbursements:		
Filing Fee Account		68,018
Summary Appeal Account		100,202
Bail Escrow Account		997,176
Summary Appeal Account		<u>6,271,361</u>
Total Disbursements		<u>7,436,757</u>
Cash Increase		<u>190,476</u>
Beginning Balance		<u>2,031,971</u>
Ending Balance	\$	<u><u>2,222,447</u></u>

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

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

Receipts:	
Adjustment for voided check	\$ 50
Other – Bank Error	<u>70</u>
Total Receipts	<u>120</u>
Disbursements:	
Escheats	12,968
Refunds	14,035
Forfeitures	<u>18,327</u>
Total Disbursements	<u>45,330</u>
Cash Decrease	<u>(45,210)</u>
Beginning Balance	<u>131,108</u>
Ending Balance	<u><u>\$ 85,898</u></u>

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

**COUNTY OF CHESTER**  
**OFFICE OF THE CLERK OF COURTS**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH BALANCE**  
***SUMMARY APPEAL ACCOUNT***  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

Receipts:		
Other	\$	<u>354</u>
Total Receipts		<u>354</u>
Disbursements:		
Escheats		354
Fines and Costs		<u>1,232</u>
Total Disbursements		<u>1,586</u>
Cash Decrease		<u>(1,232)</u>
Beginning Balance		<u>3,118</u>
Ending Balance	\$	<u><u>1,886</u></u>

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

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

Receipts:		
Fees collected by Office of the Clerk of Courts	\$	9,370
Fees collected by Office of Adult Probation		<u>15,764</u>
Total Receipts		<u>25,134</u>
Disbursements:		
Fees (net of interest)		<u>26</u>
Total Disbursements		<u>26</u>
Cash Increase		<u>25,108</u>
Beginning Balance		<u>147,166</u>
Ending Balance	\$	<u><u>172,274</u></u>

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

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

*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 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**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

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

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 (Francis E. McElwaine) for the year ended December 31, 2011.

***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. *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.

*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*).

**COUNTY OF CHESTER**

**OFFICE OF THE CLERK OF COURTS**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2011**

***Note 3 – Common Pleas Court Management System (continued)***

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).

***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 and certificate of deposit to maintain these funds.



# COUNTY OF CHESTER OFFICE OF THE CONTROLLER

313 WEST MARKET STREET, SUITE 6302, PO BOX 2748, WEST CHESTER, PA 19380-0991  
TELEPHONE: (610) 344-6155 FAX: (610) 344-6750

VALENTINO F. DIGIORGIO, III  
Controller

October 25, 2012

Francis E. McElwaine, Clerk of Courts  
Office of the Clerk of Courts  
Chester County Justice Center  
West Chester, Pennsylvania

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

In planning our audit of the financial statements of the Clerk of Courts (*Clerk*) for the year ended December 31, 2011, 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 the following matters that we reported to management of the *Clerk* in a separate letter dated October 25, 2012. It includes the following:

- The recording of unclaimed property information on the 2010 Escheat Report
- Compliance with proper bank deposit guidelines.

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 CLERK OF COURTS**  
**SUMMARY OF EXIT CONFERENCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

Due to the nature of the audit findings and recommendations, an exit conference was not warranted for the 2011 audit. Management of the Office of the Clerk of Courts has chosen to accept the report as presented.