



***Audit of the
Luzerne County Probation Department
For the Period
January 1, 2010 to December 31, 2012***

Fieldwork Performed by:

Martin G. Moughan

February 18, 2014

Michelle A. Bednar

Luzerne County Controller

Objective and Scope:

The Luzerne County Controller's Office has audited the Luzerne County Probation Department for the period January 1, 2010 through December 31, 2012. The focus of our audit is limited to determining if the Probation Department designed and placed into operation controls and procedures to ensure compliance with laws and regulations related to its revenue, expenditures and account activity. The Probation Department is a division of the Luzerne County Court System. The management of this office is responsible for recording, updating, maintaining and reconciling the bank accounts of this department and providing the Controller with access to applicable reports of such reconciliation. It is also managements' responsibility to institute controls effective at preventing and detecting fraud, errors or misappropriation of assets.

The Luzerne County Controller's office is required by the Luzerne County Home Rule Charter (hereinafter referred to as the Charter) section 308.1 to "monitor and examine the County government and its operations", further the Controller "shall have the authority to conduct fiscal, performance, management, contract, grant, compliance, and/or related audits of any County division, department, bureau, office, agency, authority, board, commission, elective office, the Judiciary office of Court Administration or other administrative unit."

This audit is an internal auditing function (hereinafter referred to as the audit) authorized under order of the Charter, therefore the Controller is required to, "transmit the draft of each audit report to the audited entity for review and comment prior to its release." Once the audited entity has responded to the draft report in writing, specifying agreement with the audit findings and/or recommendations or the reasons for disagreement with the findings and/or recommendations, along with any plans and timetable for implementing remedies, the Controller will issue a final audit report in written form containing relevant background information, as well as the findings and recommendations. The audit report shall be transmitted to the audited entity, County Council, and the County Manager and posted for public inspection in the Controller's Office and on the County website and/or other electronic medium for a period of at least 60 days after it is issued.

Internal auditing is an independent function established within an organization to examine and evaluate the activities of the office under audit. In planning and performing our audit, we considered auditing standards generally accepted within the Unites States of America and Government Auditing Standards, issued by the Comptroller General of The United States. When applicable, these standards were applied to the objective of our audit.

Auditors assigned to the engagement are employed by Luzerne County under the Controller's Office and report directly to the Controller. The audit staff is considered organizationally independent to conduct and report on the audit.

The audit included examining, on a test basis, internal controls and procedures used for documentation, collection, distribution of county revenue and restitution amount due others. The audit also included assessing the accounting principles used. The audit was planned to obtain a reasonable assurance about whether the internal controls and procedures used adequately document the revenue and expenses reported. However, because of the concept of reasonable assurance and because we will not perform a detailed examination of all transactions, there is a risk that material errors, irregularities or illegal acts, including fraud and defalcations, may exist and not be detected by us. If any matters of that nature come to our attention, it will be reported directly to management and the County Manager.

Methodology:

Includes:

- 1) Interviewing personnel in the Probation Department including the Director, Supervisor, Fiscal Technician and various employees.
- 2) Identifying the applicable laws, policies, procedures and regulations.
- 3) Identifying and assessing controls.
- 4) Testing transactions for compliance with internal controls and regulations established above.
- 5) Reviewing cash drawer reconciliations.
- 6) Conducting a reconciliation of deposits made to the bank account with the amounts posted in the CPCMS system.
- 7) Testing CPCMS generated receipts with deposit records sent to the bank verifying the type of revenue. (cash, check, money order, e-pay)
- 8) Examined disbursements and traced payments made through reconciliation.

Our procedures include planning and performing the audit to obtain reasonable assurance about whether the revenues and expenses of the Probation Department are presented fairly, in accordance with the Charter, and free of material misstatements. Our findings and conclusions are based on test work which includes sampling evidence supporting the amounts of revenues and expenses. We believe that the evidence obtained provides a reasonable basis for our opinion.

Description:

We conducted a management interview with the Director and Supervisor to review the current control procedures within the Probation Department. Transactions are generally initiated by a payment made to a cashier in the department.

We listed, compared and reconciled the daily deposit records from CPCMS to the bank statements, for each of the three years under review.

We selected a sample of the total population of receipts for all three years under review and traced each to a specific deposit record on CPCMS, as well as the deposit slip itself and the bank statement. Our testing included verifying the method of payment on each receipt and comparing the same to the deposit slip.

We selected a sample of the total population of expenditures for all three years under review. We verified that the payment amount and payee name on the check register were in agreement with that on the check. Each check was traced through to cleared, escheated, open (less than 60 days) or voided and we found copies of each cleared check on the bank statements.

Our sample sizes were determined by the population, to yield a 95% confidence level with a 5% margin for error. (A statically valid random sample)

Observations and Internal Controls

Payments received in the mail are opened and listed by someone other than a person who has access to the cash receipts journal and accounts receivable records. This individual stamps all of the checks as "for deposit only". A person without access to cash compares the cash receipts with the deposit slips.

Payments received at the window are receipted into CPCMS, and unique receipt numbers generated by the system. Deposited funds are applied to defendant liabilities, broken down by the system and credited to the appropriate accounts in predetermined amount and percentages until each docket has been satisfied.

All receipts are deposited every day. The cashiers start their session with zero dollars; no change is made for the payers. For funds collected after the daily deposit is sent to the bank, the drawers are closed and funds are deposited the next day.

Computer generated receipts are issued for all payments received and are numbered and tracked by CPCMS. Payment information and type are entered into CPCMS by remittance type (cash, checks, MO), and the person making the deposit for the bank balances each category. Deposits are prepared, and are made daily by courier. Any cash received after the daily deposit is prepared and sent to the bank, is itself then processed as an additional deposit and transmitted to the bank on the next day. Funds not deposited are kept in a locked safe which is monitored by a video camera.

Opinion and Conclusion:

In our opinion, the Luzerne County Probation Department received, recorded, reported and reconciled all material transactions related to their office in accordance with the Charter and established County Policies. The testing performed in this audit revealed no material financial findings, misstatements or other material non-compliance activities.

Findings:

1. While reviewing expenditures and bank reconciliations for 2010 we saw that there were a large number of uncashed outstanding checks being carried month to month.
2. Bank reconciliation records show a difference of \$300.00 between the bank and CPCMS records. We were told that this difference has existed since day one. (12/05 to 1/06) The problem happened while voiding bad checks, as the proper procedure was not known. The help desk was contacted regarding this issue, and they suggested adjusting the book balance to correct the problem. This has not occurred.

Recommendations:

1. The condition stated in finding #1 has been corrected. Checks which remained outstanding were correctly voided and escheated in 2011. Stale dated checks are processed on a regular basis and are current to the end of the audit period.
2. The Probation Department should contact the help desk regarding this imbalance and have this imbalance corrected going forward.

According to the Luzerne County Home Rule Charter Section 3.08 (c) 3, The Controller shall, "Transmit the draft of each audit report to the audited entity for review and comment prior to its release. The audited entity shall respond in writing, specifying agreement with the audit findings and/or recommendations or the reasons for disagreement with the findings and/or recommendations, along with any plans and timetable for implementing remedies. The response shall be provided to the Controller within 14 days after the audited entity's receipt of the draft audit. The Controller shall include the audited entity's response in his/her final audit report.

Responses:

See page 5 and 6 of this document.

Signatures Page 7.

LUZERNE COUNTY
DEPARTMENT OF PROBATION SERVICES
Administrative Services Division
20 North Pennsylvania Avenue
Wilkes Barre, PA 18701

Michael A. Vecchio, Director

A. M. Braskey, Supervisor

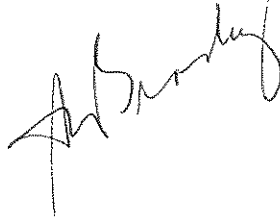
TO: Mr. Martin Moughan, Auditor
Luzerne County Controller

Michael A. Vecchio, Director
Department of Probation Services

FROM: A. M. Braskey, Supervisor
Administrative Services Division

DATE: February 12, 2014

Re: **AUDIT RESPONSE**
Luzerne County Controller
Period of January 1, 2010 to December 31, 2012



Please be advised that I have been afforded the opportunity to review the audit conducted by the aforementioned that had been originally requested by the Luzerne County Controller in 2013.

As of December 5, 2005 the Department of Probation Services had been directed by the Court of Common Pleas of Luzerne County to be responsible for all collection and disbursements of all funds by the Criminal Division of the Court of Common Pleas utilizing the Common Pleas Court Management System (CPCMS). All fines, costs, fees, restitution and other remittances imposed and collected and disbursed are pursuant to the Uniform Disbursement Schedule (UDS) regulations effective April 1, 2005. Prior to such order, the Clerk of Courts was designated to collect and disburse fines, costs and fees for the Criminal Division, while the Department of Probation Services was responsible for collection of victim restitution and probation/parole supervision fees.

Prior to assuming responsibility for traditional Clerk of Courts duties, the Department of Probation Services had been utilizing a legacy computer system (Tri-Data System) for tracking restitution payments and disbursements and supervision fee payments. Upon implementation of CPCMS, historical financial case information from the Clerk of Courts and Probation Services had been migrated into CPCMS. Since 2005, there have been updated CPCMS configurations, and specific needs of the county agencies utilizing this statewide computer system have been addressed.

It is to be noted that the audit review had evaluated a number of case specific entries in CPCMS and findings have been noted. We shall provide response to such findings.

This writer has reviewed the items of concern and the recommendations put forth by the Luzerne County Controller auditor conducting the research and will note that the findings indicated have already been addressed by this writer.

Findings:

1. While reviewing expenditures and bank reconciliations for 2010 there were a large number of uncashed checks being carried month to month.

Response: As stated by the auditor, **this item has already been addressed** as these checks were correctly voided and escheated in 2011 by the Department. Stale dated checks are processed on a regular basis and are current to the end of the audit period.

2. Bank reconciliation records show a difference of \$300.00 between the bank and CPCMS records. It was presented that this difference has existed since day one. (12/2005 – 1/2006) Problem happened while voiding bad checks as the proper procedure was not known. Help Desk has been contacted regarding this issue and they suggested adjusting the book balance to correct the problem.

Response: As indicated, the Help Desk (CPCMS) of the Court of Common Pleas Case Management System has been contacted and as of this writing, **Issue # 3923 has been referred to Senior Auditor Kevin Dougherty** for necessary action and direction.

SUMMARY:

The Department of Probation Services respectfully submits the above responses in order to address the concerns of the Auditor. The Administrative Services Division has attempted to resolve issues cited in this audit report.


The Department of Probation Services- Administrative Services Division, has made significant strides in implementing procedures and standards that create effective and efficient legal and fiscally responsible unit, while meeting the needs and providing services to criminal defendants. The Administrative Services Division of the Department of Probation Services will continue to maintain a high level of integrity in addressing the departmental mission under the auspices of the Court of Common Pleas of Luzerne County.


Audit of the Luzerne County Probation Department
Master Account


January 1, 2010 to December 31, 2012

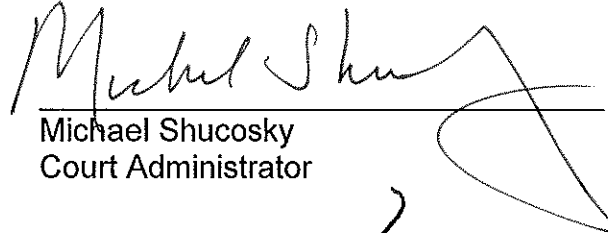
Luzerne County Controller's Office


Luzerne County Court System

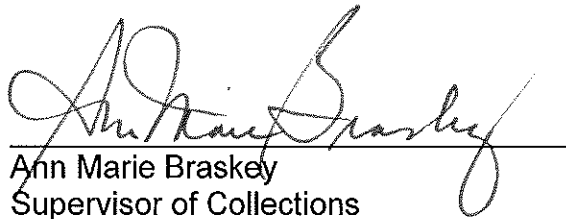

Michelle A. Bednar
Luzerne County Controller


Honorable Thomas F. Burke, Jr.
President Judge


Martin G. Moughan
Auditor


Michael Shucosky
Court Administrator


Michael Vecchio
Director of Probation Services


Ann Marie Braskey
Supervisor of Collections