

COMPLIANCE AUDIT

District Court 02-2-01
Lancaster County, Pennsylvania
For the Period
January 1, 2019 to December 31, 2021

January 2024



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

The Honorable Pat Browne
Secretary
Pennsylvania Department of Revenue
Harrisburg, PA 17128

We have conducted a compliance audit of the District Court 02-2-01, Lancaster County, Pennsylvania (District Court), for the period January 1, 2019 to December 31, 2021, pursuant to the requirements of Section 401(c) of *The Fiscal Code*, 72 P.S. § 401(c).

The objective of the audit was to determine whether all moneys collected on behalf of the Commonwealth have been correctly assessed, reported, and promptly remitted and to provide a report to the Department of Revenue to allow the Department of Revenue to state and settle the District Court's account. Our audit was limited to areas related to the objective identified above and was not conducted, nor was it required to be, in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

The District Court is responsible for establishing and maintaining effective internal controls to provide reasonable assurance of compliance with state laws and regulations applicable to the collection of moneys on behalf of the Commonwealth, including whether they have been correctly assessed, reported, and promptly remitted. The District Court is also responsible for complying with those laws and regulations. It is our responsibility to perform procedures to obtain sufficient, appropriate evidence to the extent necessary to satisfy the audit objective. We believe that our audit provides a reasonable basis for our conclusions.

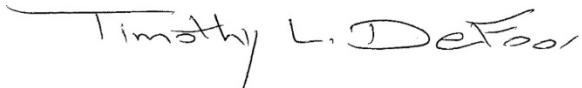
Based on our audit procedures, we conclude that, for the period January 1, 2019 to December 31, 2021, the District Court, in all significant respects, complied with state laws and regulations applicable to the collection of moneys on behalf of the Commonwealth, including whether they have been correctly assessed, reported, and promptly remitted, except as noted in the finding listed below and discussed later in this report:

- Inadequate Internal Controls Over the Bank Account
- Inadequate Internal Controls Over Monies Held In Escrow

This report includes a summary of the District Court's receipts and disbursements of funds collected on behalf of the Commonwealth (summary). We obtained data representing the District Court's receipts and disbursements from the Pennsylvania Department of Revenue, which obtains data from each of the Commonwealth's district court and used the data to create the summary in the format required by the Department of Revenue. We also evaluated the accuracy of the data as part of our audit to conclude on the District Court's compliance with certain state laws and regulations as described in the previous paragraph. Any adjustments that we considered necessary based on our audit work are disclosed in the *Audit Adjustments* line of the summary; however, the scope of our audit does not include the issuance of an opinion on the accuracy of the amounts reported in the summary.

The purpose of this report is to determine whether all moneys collected on behalf of the Commonwealth have been correctly assessed, reported, and promptly remitted. This report is not suitable for any other purposes.

The contents of this report were discussed with the District Court's management. We appreciate the courtesy extended to us by the Lancaster County District Court 02-2-01 during the course of our audit. If you have any questions, please feel free to contact the Bureau of County Audits at 717-787-1363.



Timothy L. DeFoor
Auditor General
December 20, 2023

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DISTRICT COURT 02-2-01
LANCASTER COUNTY
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2021

The Department of Auditor General is mandated by Article IV, Section 401(c) of *The Fiscal Code* (Act of April 9, 1929, P.L.343, No. 176), to audit the accounts of each district court to determine whether all moneys collected on behalf of the Commonwealth have been correctly assessed, reported and promptly remitted.

District Court receipts are comprised of fines, costs, fees, and surcharges collected on behalf of the Commonwealth. These fines, costs, fees, and surcharges represent collections made on traffic, non-traffic, civil, and criminal cases filed with the District Court.

Total disbursements during the audit period are comprised as follows:

District Court checks issued to:

Department of Revenue	\$ <u>586,483</u>
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This balance reflects the summary of monthly transmittal reports as settled by the Department of Revenue.

Jodie Richardson served at District Court 02-2-01 for the period January 1, 2019 to December 31, 2021.

The summary of receipts and disbursements on the following page provides a summary of receipts and disbursements by category. The categories and the amounts of fines, costs, fees, and surcharges assessed are based on Pennsylvania laws and regulations.

The summary was prepared in accordance with reporting requirements prescribed by the Pennsylvania Department of Revenue. Under this method, only the Commonwealth portion of cash receipts and disbursements are presented, revenues are recognized when received, and expenditures are recognized when paid.

**DISTRICT COURT 02-2-01
LANCASTER COUNTY
SUMMARY OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2021**

Receipts:

Department of Transportation		
Title 75 Fines	\$	106,041
Motor Carrier Road Tax Fines		200
Child Restraint Fines		1,234
Department of Revenue Court Costs		149,790
Crime Victims' Compensation Bureau Costs		13,169
Crime Commission Costs/Victim Witness Services Costs		9,428
Domestic Violence Costs		3,431
Emergency Medical Service Fines		17,386
CAT/MCARE Fund Surcharges		59,967
Judicial Computer System Fees		67,989
Access to Justice Fees		34,347
Criminal Justice Enhancement Account Fees		4,571
Judicial Computer Project Surcharges		90,728
Constable Service Surcharges		6,506
Miscellaneous State Fines and Costs		21,696
<hr/>		
Total receipts		586,483
Disbursements to Commonwealth		<u>(586,483)</u>
Balance due Commonwealth (District Court) per settled reports		-
audit adjustments		<u>-</u>
Adjusted balance due Commonwealth (District Court) for the period January 1, 2019 to December 31, 2021	\$	<u>-</u>

DISTRICT COURT 02-2-01
LANCASTER COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2021

Finding No. 1 - Inadequate Internal Controls Over The Bank Account

Our audit of the accounting records for the office disclosed the following deficiencies in the internal controls over the bank account:

- Bank reconciliations were not prepared timely. The December 2021 bank reconciliation was not performed until February 2022.
- There were 72 outstanding checks totaling \$2,524, dated from March 21, 2019 to June 23, 2021, that were still outstanding as of December 31, 2021.
- There was no accountability over undisbursed funds. As of December 31, 2021, funds on hand exceeded recorded obligations by \$677.

A good system of internal controls ensures that:

- Bank statements are reconciled to the book balance on a monthly basis and any discrepancies are immediately investigated and resolved and reconciliations are prepared timely.
- Adequate procedures are established to follow-up on all outstanding checks. If a check is outstanding for over 180 days, efforts should be made to locate the payee. If efforts to locate the payee are unsuccessful, the amount of the check should be removed from the outstanding checklist, added back to the checkbook balance, and subsequently held in escrow for unclaimed escheatable funds.
- The ending adjusted book balance is reconciled with liabilities on a monthly basis and any discrepancies are immediately investigated and resolved. Since the bank account of the office is essentially an escrow account on behalf of the Commonwealth, County, and other participating entities, all available funds on hand should equal unpaid obligations.

Without a good system of internal controls over the bank account, the possibility of funds being lost or misappropriated increases significantly.

The District Court stated that this is the second busiest court in the county and due to being short staffed they can't always do things timely. They also stated that they were unaware of the overage in the bank account since the undisbursed funds report was not reviewed or printed on a monthly basis.

DISTRICT COURT 02-2-01
LANCASTER COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2021

Finding No. 1 - Inadequate Internal Controls Over The Bank Account (Continued)

Recommendation

We recommend that the office establish and implement an adequate system of internal controls over the bank account as noted above.

Management's Response

The Magisterial District Judge responded as follows:

Due to staff shortages over the past two years, there have been a few delays in report processing. The Office Manager will reconcile the financial reports as soon as the monthly statement is received in the mail. The Office Manager has been in contact with AOPC regarding a listed account overage and has been assured by AOPC that all accounts are balanced/reconciled. If the reconciliation is processed late, there may be balancing delays within the system reports that the Office Manager has no control over. The Office Manager must refer all outstanding/stale checks 6 months out over to escheat.

Auditor's Conclusion

We acknowledge the court's concerns regarding staffing, and we appreciate their efforts to correct this issue. During our next audit, we will determine if the district court complied with our recommendation.

DISTRICT COURT 02-2-01
LANCASTER COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2021

Finding No. 2 - Inadequate Internal Controls Over Monies Held In Escrow

The undisbursed funds report indicated that funds collected on two cases, totaling \$242 and held in escrow, were not applied timely. The time of case disposition to the time of recording of the funds to the specific case ranged from 2,020 days to 2,455 days. We further noted an additional three cases, totaling \$485 that had case dispositions and assessments from August 3, 2012 through August 22, 2013, that were not applied as of December 31, 2021.

The district court's bank account is essentially an escrow account on behalf of the Commonwealth and other participating parties. The court collects bail, security for motor vehicle trials, and other funds that must be held in escrow until disposition of the case. Once a case has been disposed, funds held in escrow should be transferred to the appropriate account or disbursed immediately.

Good internal accounting controls require that funds be disbursed timely. The failure to follow this procedure could result in monies not being paid to whom they are due, and the possibility of funds being lost or misappropriated increases significantly.

The District Court stated that they were unaware that the undisbursed funds report needed to be printed and reviewed monthly. Therefore, they stated that the collateral that should have been applied or refunded on a case was not identified.

Recommendation

We recommend that the district court review the undisbursed funds report on a monthly basis and take appropriate action and disburse funds to whom they are due.

Management's Response

The Magisterial District Judge responded as follows:

Due to staff shortages over the past two years, there have been a few delays in report processing. The Office Manager and Court Clerks will pay close attention to funds held in escrow. Immediately after a case disposition is entered, clerks must either apply funds held in escrow to the case or refund money to the appropriate party.

Auditor's Conclusion

We acknowledge the court's concerns regarding staffing, and we appreciate their efforts to correct this issue. During our next audit, we will determine if the district court complied with our recommendation.

DISTRICT COURT 02-2-01
LANCASTER COUNTY
SUMMARY OF PRIOR AUDIT RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2021

Summary Of Prior Audit Recommendations

During our prior audit, we recommended that the district court:

- Review the tickler reports for warrants and DL-38s daily and take appropriate action as required by the Manual.
- Deposit all receipts at the end of each day as required by good internal accounting controls and the Manual. We further recommended that the district court ensure that the payment method is recorded in the computer system.

During our current audit, we noted that the district court complied with our recommendations.

DISTRICT COURT 02-2-01
LANCASTER COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2021

This report was initially distributed to:

The Honorable Pat Browne
Secretary
Pennsylvania Department of Revenue

The Honorable Andrea Tuominen
Court Administrator of Pennsylvania
Supreme Court of Pennsylvania
Administrative Office of Pennsylvania Courts

The Honorable Jodie Richardson
Magisterial District Judge

The Honorable Ray D'Agostino
Chairperson of the Board of Commissioners

The Honorable Lisa Colón
Controller

Mr. Mark M. Dalton
District Court Administrator

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov.