

# CLERK OF QUARTER SESSIONS AND ADULT PROBATION OFFICE

PHILADELPHIA COUNTY

**EXAMINATION REPORT** 

FOR THE PERIOD

OCTOBER 1, 2006 TO MARCH 31, 2010

## **COMMONWEALTH OF PENNSYLVANIA**

**EUGENE A. DEPASQUALE - AUDITOR GENERAL** 

DEPARTMENT OF THE AUDITOR GENERAL





#### Commonwealth of Pennsylvania Department of the Auditor General Harrisburg, PA 17120-0018 Facebook: Pennsylvania Auditor General Twitter: @PAAuditorGen

EUGENE A. DEPASQUALE AUDITOR GENERAL

Independent Auditor's Report

The Honorable Daniel P. Meuser Secretary Pennsylvania Department of Revenue Harrisburg, PA 17128

We have examined the accompanying statement of receipts and disbursements (Statement) of the Clerk of Quarter Sessions and Adult Probation Office, Philadelphia County, Pennsylvania (County Officer), for the period October 1, 2006 to March 31, 2010, pursuant to the requirements of Section 401(b) of *The Fiscal Code*, 72 P.S § 401(b). This Statement is the responsibility of the county office's management. Our responsibility is to express an opinion on this Statement based on our examination.

Except as discussed in the fourth paragraph, our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. An examination includes examining, on a test basis, evidence supporting the Statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

We are mandated by Section 401(b) of *The Fiscal Code* to audit the accounts of each county officer to determine whether all moneys collected on behalf of the Commonwealth have been correctly assessed, reported and promptly remitted. *Government Auditing Standards* issued by the Comptroller General of the United States include attestation engagements as a separate type of audit. An attestation engagement performed pursuant to *Government Auditing Standards* involves additional standards that exceed the standards provided by the American Institute of Certified Public Accountants. Accordingly, this attestation engagement complies with both *Government Auditing Standards* and Section 401(b) of *The Fiscal Code*.

### <u>Independent Auditor's Report (Continued)</u>

As discussed in Finding No. 1, a manual receipt log was not maintained in the Clerk of Quarter Sessions and blank manual receipts and their respective logs were photocopied, modified and issued numerous times in the Adult Probation Office. Furthermore, as discussed in Finding No. 3, monthly bank reconciliations were not prepared properly, there were numerous outstanding debit/credit accounting adjustments, there were numerous outstanding deposits and there were numerous outstanding checks. With these issues, we could not perform our standard examination procedures. As a result, the scope of our examination of the County Officer's Statement was limited, and we were unable to satisfy ourselves by other examination procedures.

In our opinion, except for the effects, if any, of the matters noted in the preceding paragraph, the Statement referred to above presents, in all material respects,—the operations of the County Officer as it pertains to receipts made on behalf of the Commonwealth for the period October 1, 2006 to March 31, 2010, in conformity with the criteria set forth in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of significant deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuses that are material to the Statement and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Statement is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over reporting on the Statement or on compliance and other matters; accordingly, we express no such opinions.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County Officer's ability to initiate, authorize, record, process, or report data reliably in accordance with the applicable criteria such that there is more than a remote likelihood that a misstatement of the County Officer's Statement that is more than inconsequential will not be prevented or detected by the County Officer's internal control. We consider the deficiencies described in the findings below to be significant deficiencies in internal control over reporting on the Statement:

- Inadequate Internal Controls Over Manual Receipts Clerk Of Quarter Sessions And Adult Probation Office.
- Inadequate Internal Controls Over Receipts Clerk Of Quarter Sessions.
- Inadequate Internal Controls Over The Bank Account Clerk Of Quarter Sessions Recurring.

### Independent Auditor's Report (Continued)

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the Statement will not be prevented or detected by the County Officer's internal control. Our consideration of the internal control over reporting on the Statement would not necessarily disclose all matters in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above to be material weaknesses.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we did note another matter that, while not required to be included in this report by *Government Auditing Standards*, has been included in the finding below:

• Inadequate Assessment Of Fines, Costs, Fees, And Surcharges - Clerk Of Quarter Sessions - Recurring.

We are concerned in light of the office's failure to correct previously reported findings in the Clerk of Quarter Sessions' office regarding internal controls over the bank account and inadequate assessment of fines, costs, fees and surcharges. During our current examination period the Clerk of Quarter Sessions' office failed to have an adequate internal control over receipts, an adequate internal control over the bank account, and an adequate assessment of fines, costs, fees and surcharges. Also, the Clerk of Quarter Sessions and Adult Probation Office did not have an adequate internal control over manual receipts. The office should strive to implement the recommendations and corrective actions noted in this report.

This report is intended solely for the information and use of the Pennsylvania Department of Revenue, the Administrative Office of Pennsylvania Courts, and the County Officer and is not intended to be and should not be used by anyone other than these specified parties.

May 19, 2014

EUGENE A. DEPASQUALE

Auditor General

Eugent O-Pugur

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# CLERK OF QUARTER SESSIONS AND ADULT PROBATION OFFICE PHILADELPHIA COUNTY

# STATEMENT OF RECEIPTS AND DISBURSEMENTS FOR THE PERIOD

## OCTOBER 1, 2006 TO MARCH 31, 2010

## Receipts:

Department of Transportation	
Title 75 Fines	\$ 5,888
Department of Revenue Court Costs	692,679
Crime Victims' Compensation Costs	3,559,499
Crime Commission Costs/Victim Witness Services Costs	2,404,205
Domestic Violence Costs	258,406
Emergency Medical Services Fines	19,736
DUI - ARD/EMS Fees	93,284
CAT/MCARE Fund Surcharges	316,560
Judicial Computer System/Access to Justice Fees	900,391
Offender Supervision Fees	3,583,180
Criminal Laboratory Users' Fees	2,960
Probation and Parole Officers' Firearm Education Costs	136,568
Substance Abuse Education Costs	17,560
Office of Victims' Services Costs	147,744
Miscellaneous State Fines and Costs	7,863,183
Total receipts (Note 2)	20,001,843
Disbursements to Commonwealth (Note 3)	(20,001,843)
Balance due Commonwealth (County) per settled reports (Note 4)	-
Examination adjustments	
Adjusted balance due Commonwealth (County) for the period October 1, 2006 to March 31, 2010	\$ 

## CLERK OF QUARTER SESSIONS AND ADULT PROBATION OFFICE PHILADELPHIA COUNTY

# NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS FOR THE PERIOD

OCTOBER 1, 2006 TO MARCH 31, 2010

### 1. Criteria

The Statement of Receipts and Disbursements 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 Statement 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.

## 2. Receipts

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 summary and criminal cases filed with the Clerk of the Court of Common Pleas' Office.

### 3. <u>Disbursements</u>

Total disbursements are comprised as follows:

#### Clerk of the Court checks issued to:

Department of Revenue	\$	19,939,207
Office of the Attorney General		125
Crime Victims' Compensation Assistance Program		16,639
Commonwealth of Pennsylvania		7,141
Department of Transportatin		17
Department of Labor and Industry		50
Fish and Boat Commission		800
Department of Public Welfare		30,173
Office of Inspector General		50
Pennsylvania Higher Education Assistance Agency		6,520
Department of Veterans' Affairs		1,121
Total	¢	20 001 942
rotar	Ф	20,001,843

# CLERK OF QUARTER SESSIONS AND ADULT PROBATION OFFICE PHILADELPHIA COUNTY NOTES TO THE STATEMENT OF PROPERTY AND DISPLEMENTS

# NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS FOR THE PERIOD

OCTOBER 1, 2006 TO MARCH 31, 2010

# 4. <u>Balance Due Commonwealth (County) For The Period October 1, 2006 To March 31, 2010</u>

This balance reflects a summary of monthly transmittal reports as settled by the Department of Revenue. The balance also reflects a summary of any receipts disbursed directly to other state agencies.

## 5. <u>County Officer Serving During Examination Period</u>

Vivian T. Miller served as the Clerk of Quarter Sessions for the period October 1, 2006 to March 31, 2010.

## <u>Finding No. 1 - Inadequate Internal Controls Over Manual Receipts - Clerk Of Quarter Sessions</u> And Adult Probation Office

Manual receipts are available to be issued in the event of a temporary power loss to the office's computer system. When the computer system is operating again, the manual receipt is replaced by an official computer-generated receipt and included in the daily receipts.

The Clerk of Quarter Sessions office only issues manual receipts pertaining to fines, costs and restitution when the computer system goes down. However, along with those manual receipts, hundreds of manual receipts are issued for fees that do not contain Commonwealth monies. Although, all the manual receipts are distinguishable by the receipt number, all of these manual receipts are comingled when entered into the computer system.

In addition, the Adult Probation Office issues manual receipts when the computer system goes down. Manual receipts are also used during high volume times. The Adult Probation Office has two cashiers collecting money. When the line becomes excessively long, the office staff uses manual receipts to streamline the payment process.

Our examination disclosed the following deficiencies in the internal controls over manual receipts:

• A manual receipt log was not maintained in the Clerk of Quarter Sessions Office. As a result, a complete population of receipts could not be determined.

Of 27 receipts tested in the Adult Probation Office, we noted the following:

- Sixteen manual receipts and their respective logs were photocopied, modified and issued numerous times.
- Nine of the 16 photocopied manual receipts did not have the entire modified receipt number entered into the computer system.
- There were six instances in which the manual receipt number was not entered into the computer system when the corresponding computer receipt was generated.

# <u>Finding No. 1 - Inadequate Internal Controls Over Manual Receipts - Clerk Of Quarter Sessions</u> And Adult Probation Office (Continued)

Good internal accounting controls ensure that:

- A manual receipt log should be maintained to document information that is recorded on the manual receipt, including date issued, date filed, case number, signature of the person receiving the payment, remitter name, payment source, and payment method. This will provide an audit trail on the issuance of the manual receipt.
- Manual receipts are accounted for and maintained.
- Manual receipt numbers are entered in the manual receipt number field on the computer when the corresponding computer receipts are generated.

Without a good system of internal controls over funds received by the office, the possibility of funds being lost or misappropriated increases significantly.

Adherence to good internal accounting controls would have ensured adequate internal controls over receipts.

These conditions existed because the office failed to establish and implement an adequate system of internal controls over manual receipts.

#### Recommendation

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

# <u>Finding No. 1 - Inadequate Internal Controls Over Manual Receipts - Clerk Of Quarter Sessions</u> And Adult Probation Office (Continued)

### Management's Response

The County Officer responded as follows:

On April 1, 2010, the Supreme Court of Pennsylvania transferred the powers and responsibilities of the former Office of the Clerk of Quarter Sessions to the First Judicial District of PA. The findings mentioned in this report fall under the leadership of the former Administration. Understanding that the FJD cannot be held accountable for activities of the prior Administration, we are providing the following responses and corrective measures as recommended by this report:

### Clerk's office

No manual receipts log was prepared and maintained. The Accounting Unit, Office of Judicial Records, has created a dedicated binder to maintain all manual receipts and a corresponding log. The Unit will maintain enough manual receipts to complete activities for one full business day. Replenishment of the receipts will occur periodically. The documents will be kept in a secure location accessible only to the Unit Supervisor.

## Adult Probation Office

Blank manual receipts and their corresponding logs were photocopied and modified to either replace missing manual receipts or to be issued multiple times. The Unit has corrected the low inventory of manual receipts. The Accounting Unit, Adult Probation, has created a dedicated binder to maintain all manual receipts and a corresponding log. The Unit will maintain enough manual receipts to complete activities for one full business day. Replenishment of the receipts will occur periodically. The documents will be kept in a secure location accessible only to the Unit Supervisor. In unusual circumstances, where all manual receipts are utilized prior to system restoration, the Unit will cease collections for the day and will instruct payees to proceed to Criminal Justice Payment Center.

Manual receipt numbers were not entered into the computer system when the corresponding computer receipt was generated. Cashiers were reminded of the importance of attention to details and quality of work. All employees will comply with CPCMS Financial Guide Handbook by completing all required fields in computer-generated receipts upon full restoration of CPCMS. A copy of the computer-generated receipt will accompany the manual receipt as part of daily work activities. Full review of daily intake paperwork will be performed by Unit Supervisor.

#### Finding No. 2 - Inadequate Internal Controls Over Receipts - Clerk Of Quarter Sessions

Our examination of the accounting records for the offices disclosed the following deficiencies in the internal controls of receipts:

- Of 64 receipts tested, 1 receipt that consisted of \$957.50 cash, could not be found on bank statements or courier logs, and therefore, could not be verified.
- Another two receipts were not deposited on the same day as collected. The time lapse from the date of receipt to the subsequent date of deposit ranged from eight days to nine days.

A good system of internal controls ensures that all monies collected are deposited intact at the bank on the same day as collected.

Without a good system of internal controls over funds received by the office, the possibility of funds being lost or misappropriated increases significantly.

This condition existed because the office failed to establish adequate internal controls over its receipts.

### Recommendation

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

### Management's Response

The County Officer responded as follows:

This audit predates FJD oversight; however, FJD is committed to address and correct all findings. Since May 2010 we have taken steps to ensure the prompt processing of all payments as quickly as possible and believe that this finding has been corrected. Bank statements are being reconciled in a timely manner. Any delay in deposits will be documented along with corrective actions taken.

### **Auditor's Conclusion**

During our next examination we will determine if the office complied with our recommendation.

## <u>Finding No. 3 - Inadequate Internal Controls Over The Bank Account - Clerk Of Quarter</u> Sessions - Recurring

We cited the office's inadequate internal controls over the bank account in the two prior examination reports, with the most recent for the period ending September 30, 2006. However, our current examination found that the office once again did not correct this issue.

Our current examination of the accounting records for the office disclosed that the monthly bank reconciliations were not prepared properly. Because the office did not properly prepare the reconciliations, we found:

- numerous deposits totaling \$2,538,534.98 dated from November 15, 2006 to December 31, 2009 that appeared to be outstanding as of March 31, 2010.
- numerous checks totaling \$355,024.21 dated from December 6, 2007 to August 17, 2009 that appeared to be outstanding as of March 31, 2010.

In addition, we found numerous debit/credit accounting adjustments totaling \$96,879.79 dated from October 25, 2006 to December 3, 2009 that were incorrectly made in order to balance the bank account instead of completing an accurate reconciliation.

These conditions existed because the office ignored our two prior examination recommendations and failed to establish adequate internal controls over its bank account.

A good system of internal controls ensures that:

 Bank statements are reconciled to the book balance on a monthly basis, all deposits, outstanding checks and adjustments should be reflected accurately on the bank reconciliation and any discrepancies should be immediately investigated and resolved.

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

## <u>Finding No. 3 - Inadequate Internal Controls Over The Bank Account - Clerk Of Quarter</u> Sessions - Recurring (Continued)

#### Recommendation

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

### Management's Response

The County Officer responded as follows:

All deposit and check information noted in this finding occurred between 2006 and March 2010. Since May 2010, FJD staff have been reviewing and re-doing bank reconciliations done previously by the Clerk of Quarter Sessions. We have verified that the vast majority of the deposits were credited by the bank and should have been marked "cleared" in past reconciliations. To date, we have left these transactions marked and "uncleared" for fear of either damaging the accounting data/program or compounding the problem by mixing past and current activities. We have generated a list of these transactions to clear. FJD is working closely with AOPC to correct proceeds in a manner that distinguishes past corrections from current reconciliations activities. We anticipate completion by the end of this summer.

#### Auditor's Conclusion

This is a recurring finding. We strongly recommend that the office take all corrective actions necessary to comply with our recommendations. During our next examination we will determine if the office complied with our recommendation.

# <u>Finding No. 4 - Inadequate Assessment Of Fines, Costs, Fees, And Surcharges - Clerk Of</u> Quarter Sessions - Recurring

We cited the office's inadequate assessment of fines, costs, fees and surcharges in the two prior examination reports, with the most recent for the period ending September 30, 2006. Our current examination found that the office did not correct this issue.

Our examination again disclosed that the office did not assess certain fines, costs, fees, and surcharges as mandated by law. Of 60 cases tested, we noted the following discrepancies:

- There were 17 cases in which the Substance Abuse Education Cost was not assessed.
- There were two cases in which Crime Victims Compensation Costs, was not assessed.
- There were two cases in which the DUI-ARD-EMS fee was not assessed.

We tested an additional 26 cases for proper assessment of Amber Alert Costs. Of the 26 cases, we found 17 cases in which the Amber Alert System Cost was not assessed.

These conditions existed because the office ignored our two prior examination recommendations and failed to stay up-to-date on laws and regulations regarding the proper assessment of Commonwealth fines, costs, fees, and surcharges.

The following state statutes address the assessment of fines, costs, fees, and surcharges that were not properly assessed:

- Substance Abuse Education Costs. The General Assembly amended Title 18 by adding Section 7508. This section imposed a \$100 cost on driving under the influence (DUI) offenses and on all drug related offenses covered in the Controlled Substance, Drug, Device and Cosmetic Act. Also, effective February 1, 2004, DUI offenses in which the offender's blood alcohol level is greater than .16% require an additional \$200 cost. The cost is distributed 50/50 between the County and the Commonwealth.
- Title 18 P.S. § 11.1101 Crime Victims' Compensation Costs. This section provides for the collection of a \$35 fee to be paid into the Crime Victim's Compensation Fund for use by the Crime Victim's Compensation Board for payment to victims and technical assistance.

# <u>Finding No. 4 - Inadequate Assessment Of Fines, Costs, Fees, And Surcharges - Clerk Of Quarter Sessions - Recurring (Continued)</u>

- Title 35 P.S. § 6934 (b) provides for the collection of a \$25 DUI-ARD EMS Fee on all driving under the influence (DUI) offenses where there is an Accelerated Rehabilitative Disposition (ARD) disposition.
- Title 35 P.S. § 7025.4 provides for the collection of the Amber Alert System Cost.
   Unless the court finds that undue hardship would result, in addition to any other cost
   imposed by law, \$25 shall automatically be assessed on each person convicted,
   adjudicated delinquent or granted accelerated rehabilitative disposition (ARD) of
   the offenses under 18 Pa.C.S. § 2901-2910.

The improper assessing of these costs and fees resulted in defendants not being assessed the proper amount of costs and fees associated with violations; and/or a loss of revenue to the Commonwealth and County.

### Recommendation

We again strongly recommend that the office review and comply with the laws noted above to ensure that fines, costs, fees, and surcharges are assessed as mandated by law.

#### Management's Response

The County Officer responded as follows:

This audit predates FJD oversight; however, FJD is committed to address and correct all findings. During the exit interview, FJD representatives requested a list of dockets tested for this finding in order to draft a more specific response. The list was not made available at the time of this response, so a more general response is provided. The Court Clerk records all decisions, orders, assessments and any other activity in the courtroom. Administrative and judicial relief from assessments is possible in certain cases. It is believed that the dockets noted in this finding fall into the category of special relief granted and therefore in fact may not be an issue. Additionally, the former Clerk's Administration suffered from lack of communication and formal personnel training. In the new Administration, we are looking into all assessments mentioned in the Clerk of Court Manual aiming to comply with the requirements. Additionally, there is ongoing training of the Clerks related to the assessments brought to our attention by the auditors.

<u>Finding No. 4 - Inadequate Assessment Of Fines, Costs, Fees, And Surcharges - Clerk Of</u>

Quarter Sessions - Recurring (Continued)

### **Auditor's Conclusion**

As to the reference above regarding the request of a list of dockets tested for this finding, we provided the list to the office on May 29, 2014. We subsequently received the office's response on June 19, 2014.

This is a recurring finding. We strongly recommend that the office take all corrective actions necessary to comply with our recommendations. During our next examination we will determine if the office complied with our recommendation.

## Comment - Compliance With Prior Examination Recommendations

During our prior examination, we recommended:

- That the Clerk of Court and the Adult Probation Office establish and implement a centralized receipting system.
- That the Clerk of Court transmit the Commonwealth's portion of revenue as required by the Department of Revenue.

During our current examination, we noted that the office complied with our recommendations.

# CLERK OF QUARTER SESSIONS AND ADULT PROBATION OFFICE PHILADELPHIA COUNTY REPORT DISTRIBUTION FOR THE PERIOD OCTOBER 1, 2006 TO MARCH 31, 2010

This report was initially distributed to:

The Honorable Daniel P. Meuser Secretary Pennsylvania Department of Revenue

The Honorable Zygmont Pines Court Administrator of Pennsylvania Supreme Court of Pennsylvania Administrative Office of Pennsylvania Courts

Mr. Thomas J. Dougherty
Director
Division of Grants and Standards
Pennsylvania Board of Probation and Parole

The Honorable Joseph H. Evers Clerk of the Court of Common Pleas

David V. Preski Chief, Pretrial Service Division

(Adult Probation Office)

The Honorable Sheila Woods-Skipper President Judge

The Honorable Alan Butkovitz Controller

The Honorable Darrell L. Clarke President of City Council

This report is a matter of public record and is available online at <a href="http://www.auditorgen.state.pa.us">http://www.auditorgen.state.pa.us</a>. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: <a href="mailto:news@auditorgen.state.pa.us">news@auditorgen.state.pa.us</a>.