

ATTESTATION ENGAGEMENT

District Court 38-1-09
Montgomery County, Pennsylvania
For the Period
January 1, 2009 to December 31, 2012

August 2014



Commonwealth of Pennsylvania
Department of the Auditor General
Eugene A. DePasquale • Auditor General



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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 District Court 38-1-09, Montgomery County, Pennsylvania (District Court), for the period January 1, 2009 to December 31, 2012, pursuant to the requirements of Section 401(c) of *The Fiscal Code*, 72 P.S. § 401(c). This Statement is the responsibility of the District Court's management. Our responsibility is to express an opinion on this Statement based on our examination.

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(c) of *The Fiscal Code* 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. *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(c) of *The Fiscal Code*.

Independent Auditor's Report (Continued)

In our opinion, the Statement referred to above presents, in all material respects, the operations of the District Court as it pertains to receipts made on behalf of the Commonwealth for the period January 1, 2009 to December 31, 2012, 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 abuse 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 District Court'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 District Court's Statement that is more than inconsequential will not be prevented or detected by the District Court's internal control. We consider the deficiencies described in the findings below to be significant deficiencies in internal control over the reporting on the Statement:

- Receipts Were Not Always Deposited On The Same Day As Collected.
- Inadequate Internal Controls Over Manual Receipts.

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 District Court'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. We consider all 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*.

Independent Auditor's Report (Continued)

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

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke at the end.

May 12, 2014

Eugene A. DePasquale
Auditor General

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DISTRICT COURT 38-1-09
MONTGOMERY COUNTY
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2012

Receipts:

| | | |
|---|----|-------------------|
| Department of Transportation | | |
| Title 75 Fines | \$ | 414,449 |
| Motor Carrier Road Tax Fines | | 1,148 |
| Overweight Fines | | 1,140 |
| Commercial Driver Fines | | 2,740 |
| Littering Law Fines | | 608 |
| Child Restraint Fines | | 1,050 |
| Department of Revenue Court Costs | | 399,166 |
| Crime Victims' Compensation Bureau Costs | | 49,690 |
| Crime Commission Costs/Victim Witness Services Costs | | 35,644 |
| Domestic Violence Costs | | 13,424 |
| Emergency Medical Service Fines | | 117,437 |
| CAT/MCARE Fund Surcharges | | 358,556 |
| Judicial Computer System Fees | | 143,013 |
| Access to Justice Fees | | 40,042 |
| Criminal Justice Enhancement Account Fees | | 9,844 |
| Judicial Computer Project Surcharges | | 44,802 |
| Constable Service Surcharges | | 13,560 |
| Miscellaneous State Fines and Costs | | 5,308 |
| | | <hr/> |
| Total receipts (Note 2) | | 1,651,621 |
| Disbursements to Commonwealth (Note 3) | | <hr/> (1,651,626) |
| Balance due Commonwealth (District Court) per settled reports (Note 4) | | (5) |
| Examination adjustments (Note 5) | | <hr/> 5 |
| Adjusted balance due Commonwealth (District Court) for the period January 1, 2009 to December 31, 2012 | \$ | <hr/> <hr/> - |

Notes to the Statement of Receipts and Disbursements are an integral part of this report.

DISTRICT COURT 38-1-09
MONTGOMERY COUNTY
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2012

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 traffic, non-traffic, civil, and criminal cases filed with the District Court.

3. Disbursements

Total disbursements are comprised as follows:

District Court checks issued to:

| | |
|-----------------------|---------------------|
| Department of Revenue | <u>\$ 1,651,626</u> |
|-----------------------|---------------------|

4. Balance Due Commonwealth (District Court) For The Period January 1, 2009 To December 31, 2012

This balance reflects the summary of monthly transmittal reports as settled by the Department of Revenue.

5. Examination Adjustment

During our prior audit, January 1, 2006 to December 31, 2008, we determined that there was a balance due to the County of \$5. This balance due was credited by the Department of Revenue in June 2011.

DISTRICT COURT 38-1-09
MONTGOMERY COUNTY
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2012

6. Magisterial District Judge Serving During Examination Period

William I. Maruszczak served at District Court 38-1-09 for the period January 1, 2009 to December 31, 2012.

DISTRICT COURT 38-1-09
MONTGOMERY COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2012

Finding No. 1 - Receipts Were Not Always Deposited On The Same Day As Collected

Our examination disclosed that receipts were not always deposited on the same day as collected. Of 60 receipts tested, 58 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 one day to five days.

Good internal accounting controls require that all monies collected be deposited in the bank at the end of every day. The *Magisterial District Judge Automated Office Clerical Procedures Manual* (Manual) establishes the uniform written internal control policies and procedures for all district courts. The Manual requires that:

All money, including partial payments received by the Magisterial District Judge office (e.g. cash, checks, and money orders), must be deposited in the bank at the end of every business day. A bank night depository may be used by all (night) courts as well as by any court that cannot get to the bank during banking hours. Money should not be taken home, left in the office overnight, or unattended. The Daily Cash Balancing procedure must be completed every day.

We also noted that monies that were not deposited on the same day as collected were being held overnight in a locked cabinet. We found that, at times, the monies being held overnight were excessive. Of 30 days tested, we found that on 17 days the amount of money held overnight ranged from \$557.50 to \$5,145.00.

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

Adherence to the uniform internal control policies and procedures, as set forth in the Manual, would have ensured that there were adequate internal controls over collections.

This condition existed because the district court failed to establish and implement an adequate system of internal controls over receipts.

Recommendation

We recommend that the district court deposit all receipts at the end of each day as required by good internal accounting controls and the Manual.

DISTRICT COURT 38-1-09
MONTGOMERY COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2012

Finding No. 1 - Receipts Were Not Always Deposited On The Same Day As Collected
(Continued)

Management's Response

The Magisterial District Judge responded as follows:

Please be advised that District Court 38-1-09 accepts the finding addressed in the Exit Conference Memorandum, and District Court 38-1-09 has modified their deposit process. However, it should be noted the Court has been operating under the misconception that was advised during the last audit that the Court could accept non-money (Checks and Money Orders) receipts once the deposit was made, but could not accept Money (Cash, Currency or Coins) receipts. Consequently, the Court would only accept receipts/payments of checks or money orders, and if checks or money orders were received after the deposit, they would be held in a locked, secured box until the deposit the next day.

Auditor's Conclusion

We appreciate the efforts made by the District Court to correct the conditions regarding timely deposits. We found that some funds were not deposited until five days after collection and that the amount of funds held overnight was excessive. The office should consider establishing a night deposit with the bank for any funds, including cash, collected after that day's deposit to ensure timely deposit and adequate safeguarding of all funds.

During our next examination, we will determine if the district court complied with our recommendation.

DISTRICT COURT 38-1-09
MONTGOMERY COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2012

Finding No. 2 - Inadequate Internal Controls Over Manual Receipts

The Administrative Office of Pennsylvania Courts' (AOPC) policies require computer downtime manual receipts to be issued in the event of a temporary power loss to the district court's computer system. When the computer system is operating again, the computer downtime manual receipt is replaced by an official computer-generated receipt and included in the daily receipts. When the AOPC's policies are not followed, the possibility that funds received by the District Court could be lost or misappropriated increases significantly.

Our examination disclosed that required computer downtime manual receipt procedures were not always followed. Of 34 receipts tested, we noted that there were 14 computer downtime manual receipts that could not be located and were not available for our examination.

The *Magisterial District Judge Automated Office Clerical Procedures Manual* (Manual) establishes the uniform written internal control policies and procedures for all district courts. The Manual requires that downtime manual receipts be issued in the event of a temporary power loss to the computer system. When the computer system is not operational, the receipt and log sheet should be filled out for each receipt number and the initials of the employee receiving the payment should be documented on the log sheet. The receipts should be used in numerical order; the log sheet should be filled out using the appropriate receipt number; a copy of that receipt should be given to the remitter; and the second copy of the receipt should be kept, along with the associated log, in a secure location. When the computer system is running again, the second copy of the receipt should be attached to the new system-generated receipt and placed in the case file and the date the payment was entered into the system should be documented on the log sheet. Additionally, the Manual requires that when a manual receipt number is issued, the manual receipt number should be entered in the manual receipt number field when creating the computer receipt. This will link the manual receipt to the computer receipt.

Good internal accounting controls ensure that computer downtime manual receipts are accounted for and maintained.

Adherence to good internal accounting controls and the uniform internal control policies and procedures, as set forth in the Manual, would have ensured that there were adequate internal controls over collections.

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

DISTRICT COURT 38-1-09
MONTGOMERY COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2012

Finding No. 2 - Inadequate Internal Controls Over Manual Receipts (Continued)

Recommendation

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

Management's Response

The Magisterial District Judge responded as follows:

Please be advised the District Court 38-1-09 accepts the finding addressed in the Exit Conference Memorandum, and the District Court 38-1-09 has modified their handling of computer down time manual receipts.

Auditor's Conclusion

During our next examination, we will determine if the district court complied with our recommendation.

DISTRICT COURT 38-1-09
MONTGOMERY COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2012

This report was initially distributed to:

The Honorable Daniel P. Meuser
Secretary
Pennsylvania Department of Revenue

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

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|---|--|
| The Honorable William I. Maruszczak | Magisterial District Judge |
| The Honorable Josh Shapiro | Chairman of the Board of Commissioners |
| The Honorable Stewart J. Greenleaf, Jr. | Controller |
| Mr. Michael R. Kehs, Esquire | District Court Administrator |

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