

ATTESTATION ENGAGEMENT

District Court 08-3-03
Northumberland County, Pennsylvania
For the Period
January 1, 2012 to December 31, 2014

February 2016



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



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
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www.PaAuditor.gov

EUGENE A. DePASQUALE
AUDITOR GENERAL

Independent Auditor's Report

The Honorable Eileen H. McNulty
Secretary
Pennsylvania Department of Revenue
Harrisburg, PA 17128

We have examined the accompanying statement of receipts and disbursements (Statement) of District Court 08-3-03, Northumberland County, Pennsylvania (District Court), for the period January 1, 2012 to December 31, 2014, pursuant to the requirements of Section 401(c) of *The Fiscal Code*, 72 P.S. § 401(c). The District Court's management is responsible for this Statement. 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 and, accordingly, included 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*.

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, 2012 to December 31, 2014, in conformity with the criteria set forth in Note 1.

Independent Auditor's Report (Continued)

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Statement; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the Statement. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. 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 internal control over reporting on the Statement or on compliance and other matters; accordingly, we express no such opinions.

Our consideration of internal control over reporting on the Statement was for the limited purpose of expressing an opinion on whether the Statement is presented in accordance with the criteria described above and was not designed to identify all deficiencies in internal control over reporting on the Statement that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 Statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies listed below to be material weaknesses.

- Escrow Monies Not Always Disbursed Timely.
- Inadequate Internal Control Over Jail Time Compensation.
- Inadequate Internal Control Over Community Service.

Independent Auditor's Report (Continued)

As part of obtaining reasonable assurance about whether the Statement is free from material misstatement, we performed tests of the District Court's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of Statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our engagement, 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*.

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.

We appreciate the courtesy extended by the District Court 08-3-03, Northumberland County, to us during the course of our examination. If you have any questions, please feel free to contact Michael B. Kashishian, CPA, CGAP, CFE, Director, Bureau of County Audits, at 717-787-1363.



Eugene A. DePasquale
Auditor General

January 13, 2016

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DISTRICT COURT 08-3-03
 NORTHUMBERLAND COUNTY
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 JANUARY 1, 2012 TO DECEMBER 31, 2014

Receipts:

Department of Transportation		
Title 75 Fines	\$	139,680
Motor Carrier Road Tax Fines		198
Littering Law Fines		440
Child Restraint Fines		1,335
Department of Revenue Court Costs		124,853
Crime Victims' Compensation Bureau Costs		22,697
Crime Commission Costs/Victim Witness Services Costs		16,278
Domestic Violence Costs		6,141
Department of Agriculture Fines		480
Emergency Medical Service Fines		40,971
CAT/MCARE Fund Surcharges		112,736
Judicial Computer System Fees		58,565
Access to Justice Fees		17,061
Criminal Justice Enhancement Account Fees		5,146
Judicial Computer Project Surcharges		25,841
Constable Service Surcharges		8,829
Miscellaneous State Fines and Costs		52,987
		<hr/>
Total receipts (Note 2)		634,238
Disbursements to Commonwealth (Note 3)		<hr/> <u>(634,238)</u>
Balance due Commonwealth (District Court) per settled reports (Note 4)		-
Examination adjustments		<hr/> -
Adjusted balance due Commonwealth (District Court) for the period January 1, 2012 to December 31, 2014	\$	<hr/> <u><u>-</u></u>

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

DISTRICT COURT 08-3-03
NORTHUMBERLAND COUNTY
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2014

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	\$ 634,238
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4. Balance Due Commonwealth (District Court) For The Period January 1, 2012 To December 31, 2014

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

5. Magisterial District Judge Serving During Examination Period

John Gembic served at District Court 08-3-03 for the period January 1, 2012 to December 31, 2014.

DISTRICT COURT 08-3-03
NORTHUMBERLAND COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2014

Finding No. 1 - Escrow Monies Not Always Disbursed Timely

Our examination of the undisbursed funds report indicated that escrow funds collected from March 6, 2012 to May 30, 2014, totaling \$887.17, were not disbursed as of December 31, 2014.

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.

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

The district court failed to review the undisbursed funds report on a monthly basis and take appropriate action.

Recommendations

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. Additionally, we recommend that the Judge review, initial and date the undisbursed funds report to ensure proper accountability over escrow funds.

Management's Response

The Magisterial District Judge responded as follows:

I have now instructed my staff to review the undisbursed funds report on a monthly basis and disburse the funds to whom they are due if any exists. Additionally I will review the reports and initial and date the report.

Auditor's Conclusion

It appears that the district court has implemented appropriate corrective actions to address the recommendation. During our next examination, we will review the corrective actions when evaluating the district court's compliance with our recommendations.

DISTRICT COURT 08-3-03
NORTHUMBERLAND COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2014

Finding No. 2 - Inadequate Internal Control Over Jail Time Compensation

Our testing of cases involving Jail Time Compensation disclosed that the district court did not always print and maintain commitment documentation in the case file when Jail Time Compensation was used. Jail Time Compensation is only to be granted to defendants that have served or are currently serving time in jail. Our examination found that 5 of 15 cases did not contain a commitment or other substantiating documentation to support credits given in the individual case files reviewed. Jail Time Compensation is recorded on the front of the citation without an authenticating signature from the Magisterial District Judge.

Good internal accounting controls ensure that there is evidence that each individual is given credit for jail time served in each case file. The failure to follow this procedure increases the risk for funds to be lost or misappropriated.

Adherence to good internal accounting controls would have ensured that there were adequate internal controls over Jail Time Compensation documentation.

The condition existed because the district court failed to establish and implement an adequate system on internal control over retaining supporting documentation in all Jail Time Compensation cases.

Recommendation

We recommend that the district court establish and implement an adequate system of internal control over retaining supporting documentation in all Jail Time Compensation cases. This includes ensuring that the original authenticating signature for all Jail Time Compensation credits is documented on each citation.

DISTRICT COURT 08-3-03
NORTHUMBERLAND COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2014

Finding No. 2 - Inadequate Internal Control Over Jail Time Compensation (Continued)

Management's Response

The Magisterial District Judge responded as follows:

When Jail Time Compensation is ever given in my office, my policy is that the Defendant must provide a Jail Time Credit request in writing, even when the Defendant appears in front of me, my staff then must verify with the Prison and document that the Defendant was incarcerated at the time period of that request, and then I personally review the case file and make the decision of whether or not the Defendant receives the Compensation or not. The one step that was not always done in the past was that we were not printing and attaching a Commitment form to the Defendant's file and the ones that were attached had my computer printed signature on them. In the future, my office will make sure that all the necessary forms are attached to the Defendant's file when Jail Time Compensation is given and my personal signature will be placed on the Commitment form.

Auditor's Conclusion

It appears that the district court has implemented appropriate corrective actions to address the recommendation. During our next examination, we will review the corrective actions when evaluating the district court's compliance with our recommendations.

DISTRICT COURT 08-3-03
NORTHUMBERLAND COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2014

Finding No. 3 - Inadequate Internal Control over Community Service

Our testing of cases involving Community Service disclosed that 5 of 15 cases tested did not contain sufficient evidence to support community service credits given in the individual case files. Our examination found that the Magisterial District Judge personally organized the local community service groups and kept records of the activities. In addition, the district court maintained Community Service Logs. When an individual completed the assigned community service, it was recorded on the front of the citation. However, the Magisterial District Judge authenticating signature is not present on the citation.

Good internal accounting controls ensure that there is evidence in each case file for each individual that is given credit for community service served. The failure to follow this procedure increases the risk for funds to be lost or misappropriated.

Adherence to good internal accounting controls would have ensured that there were adequate internal controls for Community Service documentation.

The condition existed because the district court failed to establish and implement an adequate system on internal control over retaining supporting documentation in all Community Service cases.

Recommendation

We recommend that the district court establish and implement an adequate system of internal control over retaining supporting documentation in all Community Service cases. This includes ensuring that the original authenticating signature for all community service credits is documented on each citation.

Management's Response

The Magisterial District Judge responded as follows:

I personally organized the local community service groups and kept record of the activities. In addition, I maintain the Community Service Logs, once they were provided to me by the Community Service Volunteer leaders or the municipalities where the Community Service participants have performed their Community Service. I document the hours they are assigned and the hours they have completed on my computer. I now have added an additional policy to store the Community Participants in a separate filing cabinet, and when the participant has completed their Community Service time, I will have my staff attach the necessary paperwork stating such and I will sign off on the case file, noting it completed.

DISTRICT COURT 08-3-03
NORTHUMBERLAND COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2014

Finding No. 3 - Inadequate Internal Control over Community Service (continued)

Auditor's Conclusion

It appears that the district court has implemented appropriate corrective actions to address the recommendation. During our next examination, we will review the corrective actions when evaluating the district court's compliance with our recommendations.

DISTRICT COURT 08-3-03
NORTHUMBERLAND COUNTY
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2014

Summary of Prior Examination Recommendations

During our prior examination, we recommended:

- That the office obtain a validation from the bank as to the mix of cash and checks deposited. We further recommend that the validation is reconciled to receipts by someone other than the person preparing or making the deposit.
- That the office initiate procedures to ensure that all cases are properly filed and contain appropriate documents as outlined in the *Magisterial District Judge Automated Office Clerical Procedures Manual*.

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

DISTRICT COURT 08-3-03
NORTHUMBERLAND COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2014

This report was initially distributed to:

The Honorable Eileen H. McNulty
Secretary
Pennsylvania Department of Revenue

The Honorable Thomas B. Darr
Court Administrator of Pennsylvania
Supreme Court of Pennsylvania
Administrative Office of Pennsylvania Courts

The Honorable John Gembic	Magisterial District Judge
The Honorable Richard J. Shoch	Chairperson of the Board of Commissioners
The Honorable Anthony Phillips	Controller
Brandy L. Yasenchak, Esquire	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.