

DISTRICT COURT 06-1-05

ERIE COUNTY

EXAMINATION REPORT

FOR THE PERIOD

JANUARY 1, 2005 TO DECEMBER 31, 2007

CONTENTS

	<u>Page</u>
Independent Auditor's Report.....	1
Financial Section:	
Statement Of Receipts And Disbursements.....	5
Notes To The Statement Of Receipts And Disbursements.....	6
Finding And Recommendation:	
Finding - Receipts Were Not Always Deposited On The Same Day As Collected	7
Comment.....	9
Report Distribution	11

Independent Auditor's Report

The Honorable Steven H. Stetler
Secretary
Pennsylvania Department of Revenue
Harrisburg, PA 17128

We have examined the accompanying statement of receipts and disbursements (Statement) of District Court 06-1-05, Erie County, Pennsylvania (District Court), for the period January 1, 2005 to December 31, 2007, 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*.

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 ended December 31, 2007, 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 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 deficiency described in the finding below to be a significant deficiency in internal control over the reporting on the Statement:

- Receipts Were Not Always Deposited On The Same Day As Collected.

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 the significant deficiency described above to be a material weakness.

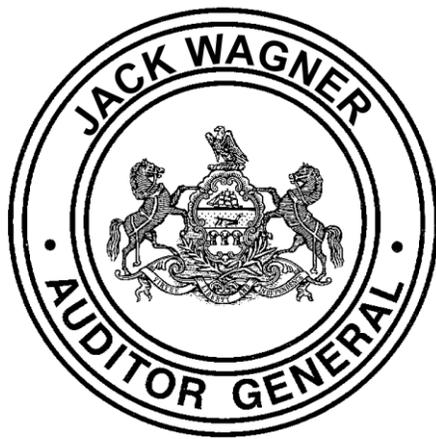
The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

March 10, 2009

JACK WAGNER
Auditor General



DISTRICT COURT 06-1-05
 ERIE COUNTY
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 JANUARY 1, 2005 TO DECEMBER 31, 2007

Receipts:

Department of Transportation		
Title 75 Fines	\$ 159,876	
Littering Law Fines	300	
Child Restraint Fines	476	
Department of Revenue Court Costs	145,262	
Crime Victims' Compensation Bureau Costs	63,078	
Crime Commission Costs/Victim Witness Services Costs	46,049	
Domestic Violence Costs	18,509	
Department of Agriculture Fines	50	
Game Commission Fines	110	
Emergency Medical Service Fines	34,352	
CAT/MCARE Fund Surcharges	107,661	
Judicial Computer System Fees	61,996	
Access to Justice Fees	14,364	
Constable Service Surcharges	18,242	
	<hr/>	
Total receipts (Note 2)		\$ 670,325
Disbursements to Commonwealth (Note 3)		<u>(670,325)</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, 2005 to December 31, 2007		<u><u>\$ -</u></u>

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

DISTRICT COURT 06-1-05
ERIE COUNTY
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2005 TO DECEMBER 31, 2007

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	\$ 670,325
-----------------------	------------

4. Balance Due Commonwealth (District Court) For The Period January 1, 2005 To December 31, 2007

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

5. Magisterial District Judge Serving During Examination Period

Dominick D. DiPaolo served at District Court 06-1-05 for the period January 1, 2005 to December 31, 2007.

DISTRICT COURT 06-1-05
ERIE COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2005 TO DECEMBER 31, 2007

Finding - 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 45 receipts tested, 13 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 2 days to 7 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.

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

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.

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.

Management's Response

The Magisterial District Judge responded as follows:

I make the deposit every day or every other day as needed. With the amount of money we take in, I don't want the [employees] taking the money to the bank. I have made the deposit myself since 1994 when coming into Office. The only time my office manager makes the deposit is if I am out of town at school (recertification) or on vacation and she sometimes is escorted by the constable.

DISTRICT COURT 06-1-05
ERIE COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2005 TO DECEMBER 31, 2007

Finding - Receipts Were Not Always Deposited On The Same Day As Collected (Continued)

Management's Response (Continued)

From 1994 to 2008, I have collected \$4,850,032.49 with 90% cash and every penny collected. There has never been a time money was missing or misplaced, my [employees] are excellent, and my office manager is outstanding. Sometimes there isn't that much to deposit. That's why I wait. But I realize that's not the rule but the bottom line for 15 years, there is absolutely no fraud in this office.

Auditor's Conclusion:

We appreciate the Magisterial District Judge's point of view. However, all collections should be deposited by the end of the day to adequately safeguard the money collected for the day.

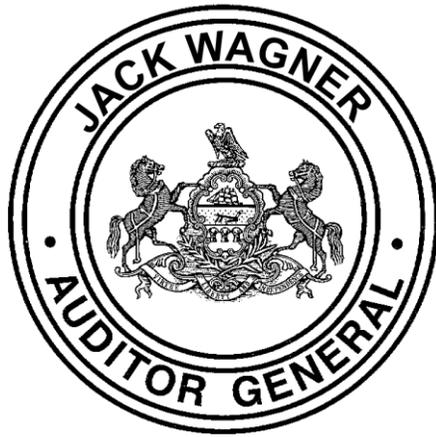
DISTRICT COURT 06-1-05
ERIE COUNTY
COMMENT
FOR THE PERIOD
JANUARY 1, 2005 TO DECEMBER 31, 2007

Comment - Compliance With Prior Audit Recommendation

During our prior examination, we recommended:

- That the office not destroy citations until after they have been subject to audit by the Department of the Auditor General.

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



DISTRICT COURT 06-1-05
ERIE COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2005 TO DECEMBER 31, 2007

This report was initially distributed to:

The Honorable Steven H. Stetler
Secretary
Pennsylvania Department of Revenue

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

District Court 06-1-05
Erie County
1563 West 38th Street
Erie, PA 16508

The Honorable Dominick D. DiPaolo	Magisterial District Judge
The Honorable Sue Weber	Controller
The Honorable Mark A. DiVecchio	County Executive
Mr. Thomas C. Aaron	District Court Administrator

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. To view this report online or to contact the Department of the Auditor General, please access our web site at www.auditorgen.state.pa.us.